



## Build Loyalty and Attachment to the Hotel Brand in the Transition Period from Coronavirus through Reward Systems



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### Abstract

The impact of the corona virus is changing every day as the number of cases and mortality continues to rise and governments and companies around the world are taking steps to eradicate the disease. Corona virus is a major challenge for the hotel industry and retaining customers and generating revenue. Because it affects both the data and the ability to predict the future. Therefore, hotels must strive to maintain the loyalty of their customers. Based on the basic tenets of theories of justice, the Fairness Perception Scale has been developed for reward programs. This scale includes two sub-categories: value-based fairness and relationship-based fairness; Which corresponds to distributive and interactive justice. The present study seeks to establish brand loyalty through reward



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systems with a mediating role of brand commitment in 5 star international hotels in Shiraz. The research method was descriptive survey. The research questionnaire was distributed among 385 people from the statistical population who are all customers of 5-star international hotels in Shiraz. The standard questionnaire of Huang et al. (2019) was used to measure the research variables. The reliability of the questionnaire is 0.901. To answer the questions and test the research hypotheses with Smart-PLS software, the method of structural equation analysis and path analysis using partial least squares (PLS) method was used. The results showed that value-based fairness has a significant effect on brand commitment and brand loyalty of 5-star international hotels in Shiraz. The results confirm the significant effect of fairness based on relationship on brand attachment and brand loyalty to 5 star international hotels in Shiraz. The results also show that brand attachment has a significant effect on brand loyalty to 5 star international hotels in Shiraz.

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**Keywords:** Coronavirus, Reward systems, Brand attachment, Brand loyalty

## Introduction

Because the impact of COVID-19 is visible around the world, it affects the travel industry, including the hotel industry. While the end result is still unknown, it is clear that the economic impact will be significant. Due to the quarantine of passengers and transportation from ports, the travel industry has attracted a large part of global attention and coverage. All hotels are currently under the major influence of the booking council. The coronavirus could reduce foreign visitors by more than 50 percent in the hotel industry, and governments have already imposed travel restrictions on people entering from certain countries. In such a situation, businesses need to effectively manage marketing strategies as a tool to meet customer needs and build customer loyalty to build a positive relationship with customers. While customer retention is an essential element in boosting a company's profitability; Loyalty is created with the goal of creating a long-term relationship between companies and their customers. One of the first ways to cultivate loyalty is through rewards. Reward programs are especially important for hotels, whose members are rewarded based on their activities; Which directly leads to profitability (Hwang et al., 2019).

Customer loyalty models show that rewards program attitudes align with attitude variables for hotels and other hospitality businesses. Research on hotel programs, the effects of trust; Evaluate costs and emotional commitment to loyalty goals and outcomes (Baloglu et al., 2017; Sui and Baloglu, 2003). In



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both studies, trust and switching costs directly and indirectly affect loyalty outcomes (positive WOM, voluntary participation, elapsed time, ratio, and repeat visits) through emotional commitment. Evaluating the benefits of a loyalty program directly affects behaviors (repeat visits and elapsed time); But it does not affect emotional commitment or loyalty intentions (Baloglu et al., 2017). Advantage assessments range from poor to excellent rankings, but do not include an understanding of fairness.

Previous research has examined customer loyalty in the context of hotels. Relevant literature examines different ways of measuring loyalty, reward program features, and related factors that can enhance the predictive power of the loyalty process (Baloglu et al., 2017; Sui and Baloglu, 2003; Tanford, 2013). Many studies use behavioral intentions as indicators of loyalty; Nevertheless, intentions may not be equal to behaviors (Tanford, 2016). Accordingly, hotel studies have integrated behavioral metrics such as visit share, repeat visits, and time spent into assumptions and outcomes of the loyalty process (Baloglu et al., 2017; Sui and Baloglu, 2003). However, these criteria are not directly related to the profitability of the hotel. For example, an important behavioral outcome measure is the customer's share of purchases, which has been overlooked in previous research. Similarly, the performance of reward programs in loyalty models has been investigated (Baloglu et al., 2017); But the perceived fairness of those programs has not been assessed in a competitive environment. Hotel marketers may expect rewards and benefits for their members that will greatly retain existing members as well as improve profitability. Nevertheless, it is common for businesses to operate in a highly competitive environment to deliver promotional values equal to or higher than other competitors (Klebanow, 2002). Understanding fairness is therefore vital; Because there may be attractive competitive bids. Fairness is more than just the distribution of rewards and benefits. It involves interaction with staff and program procedures (Lacey and Sneath, 2006).

In the hotel industry, reward program membership affects perceived program value, which was negatively associated with limited-service hotels, rather than full-service hotels (Tanford et al., 2013). Research suggests that perceived program value affects program loyalty, and program loyalty takes precedence over brand loyalty (Hu et al., 2010). Communication is one of the key components of program loyalty (Raab et al., 2016) which means fairness based on reward program communication.

Based on the findings of this research, emotional commitment is shown to show a relationship of trust and ultimately as a bridge to brand attachment. Trust includes reliable communication with hotel management and staff related to communication-based fairness. Emotional attachments contain elements in common with brand attachment. Current research on perceived fairness examines the benefits of the program; Which provides insight into how and why program features affect output. It measures attachment rather than emotional commitment as a link between understanding fairness and intentions associated with brand loyalty (Hwang et al., 2019).

Emotional commitment is a record of loyalty for members of the reward program (Baloglu et al., 2017; Mattila, 2006; Sui and Baloglu, 2003; Tanford et al., 2013). Emotional commitment is especially relevant for hotels. A related concept called brand affiliation has not been explored in reward programs. Brand



attachment shows the link between the individual and the brand (Park et al., 2010). As the perception of fairness outweighs the value of benefits, brand attachment develops beyond emotion and relationship quality (Park et al., 2010). Since the goal of reward programs is to develop long-term customer relationships, brand attachment is essential. This study suggests that brand attachment links the perception of fairness to loyalty outcomes. Therefore, this study seeks to investigate the question of what effect reward systems with the mediating role of brand attachment have on brand loyalty?

## Research Literature

### Theory of Justice

Justice theory examines the role of justice in the context of social participation (Rawls, 2009). The three important dimensions of justice theory are distributive, procedural and interactive justice. Distributive justice deals with the interest that the customer receives in comparison with his own investment and the interest of others. Procedural justice includes the approaches, tools, and processes that are implemented to achieve output and results (Noone, 2012). Interactive justice examines the behavior that individuals receive during social activity. Initially, social justice theories were based on examining the role of justice for social interactions, not for organizations. Later, organizational justice that examines the relationship between organizations and employees also grew to examine the relationship between customers and service organizations (Severt et al., 2006).

The perception of justice is perceived in the social context, especially for members in long-term relationships (Aggarwal and Larrick, 2012). Justice is the main element for human beings; Because the behaviors of organizations are perceived as unfair. Justice is understood as fairness that is felt by people who are treated unfairly. In other words, people who see unfair behavior in social interactions may behave inappropriately and end the relationship; This contradicts loyalty. Although there is no guarantee that justice institutions will meet a sense of fairness (Rawls, 2009), one of the perceptual foundations based on theories of justice is that perceived fairness has a positive effect on customer loyalty. .

Justice is a multifaceted structure that may have a greater effect than other dimensions, depending on the subject (Sert et al., 2014). Although research on justice focuses more on distributive justice as the main dimension (Kim and Tang, 2016), procedural and interactive justice have been described as essential elements for customers to develop a fair understanding of service. It is necessary to show the main dimensions of justice in different contexts; Because each dimension is separate. Depending on the context, only a few dimensions of justice may be shown; While others may not be shown (Caza et al., 2015). In relation to accommodation, fair outcomes (ie distributive justice) and employee behavior (interactive justice) have a stronger effect on customer loyalty than the fairness process (procedural justice) (Kwortnik & Han, 2011). Similarly, research shows that distributive and interactive dimensions



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are more important than the procedural dimension in understanding fairness for reward program members (Shulga and Tanford, 2018).

## Understand fairness and reward plans

The dimensions of justice theories are applicable to reward programs. A successful reward program should fairly distribute rewards among customers for their repeat visits and the money they spend (Söderlund and Colliander, 2015). Program rules for achieving benefits must be clear and complete, which demonstrates procedural fairness (Lacey & Sneath, 2006). It is essential that this information is communicated effectively with the aim of educating members and treating them honestly; Which demonstrates interactive justice. This shows the connection between interactive justice and fair communication. In relation to the reward program, understanding fairness takes a look at the customer's perception of the end product of their investment and the way program representatives communicate with their members (Berezan et al., 2015). Research shows that members often discuss fairness issues in online forums (Berezan et al., 2015). Members of a restaurant reward program who saw no difference between the investment and the next reward considered the reward program unfair and were less inclined to visit the business. In other words, they found distributive justice undesirable.

Based on the basic tenets of theories of justice, the Fairness Perception Scale was developed for reward programs (Shulga and Tanford, 2018). This scale includes two sub-categories: value-based fairness and relationship-based fairness; Which corresponds to distributive and interactive justice. Using scale development procedures, the dimension that shows procedural justice was not apparent (Shulga and Tanford, 2018). Current research uses this scale as a prelude to brand commitment and loyalty for reward program members.

## Emotional commitment and trust

Although several preconditions for loyalty have been examined, trust and emotional commitment of attitude constructs were found in the meta-analysis of total hospitality loyalty writings (Tanford, 2016). Emotional trust and commitment were considered essential components for cultivating loyal customers, and these two premise are closely related (Baloglu, 2002; Bowen & Shoemaker, 2003; Tanford & Baloglu, 2013). For example, more trust in a brand is associated with a stronger commitment to the brand (Baloglu et al., 2017; Sui and Baloglu, 2003). Trust, through emotional commitment, has a direct and indirect effect on behavioral loyalty outcomes (Baloglu et al., 2017; Bowen & Shoemaker, 2003; Sui and Baloglu, 2003) and brand attitude (Wilkins et al., 2010). Trust strongly affects affiliates that are emotionally connected to their partners. Similarly, emotional commitment is a necessary prerequisite in the process of loyalty ( Mattila, 2006; Sui and Baloglu, 2003; Tanford, 2016; Tanford et



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al., 2003). As a prelude to loyalty intent, emotional commitment is strongly predicted based on trust (Grisaffe & Nguyen, 2011).

## Rewards Program Attitudes

Customer loyalty models show that rewards program attitudes align with attitude variables for casinos and other hospitality businesses. Research on members of the local casino program, the effects of trust; Evaluate costs and emotional commitment to loyalty goals and outcomes (Baloglu et al., 2017; Su and Baloglu, 2003). In both studies, trust and switching costs directly and indirectly affect loyalty outcomes (positive WOM, voluntary participation, elapsed time, ratio, and repeat visits) through emotional commitment. Evaluating the benefits of a loyalty program directly affects behaviors (repeat visits and elapsed time); But it does not affect emotional commitment or loyalty intentions (Baloglu et al., 2017). Advantage assessments range from poor to excellent rankings, but do not include an understanding of fairness.

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## Brand attachment

Brand attachment is defined as the "power of a brand to bind itself" (Park et al., 2010). It contains the effective component of a brand and evokes a variety of emotions (Kang et al., 2017). Despite these emotions alone, there are not enough conditions for brand attachment (Park et al., 2010). Brand attachment is related to relationship quality; But it is special in relation to the brand itself (Park et al., 2010). Brand attachment affects brand loyalty through its effect on brand trust and brand commitment in the retail context; But it does not directly affect loyalty (Belaid & Temessek Behi, 2011). With strong interaction with consumers, more "contact points" are created with the customer and lead to



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brand attachment, which increases business revenue. In addition, it has a brand affiliation associated with the purchase of shares and the need for shares in financial services, which defines the extent to which consumers use the bank for all their financial needs (Park et al., 2010).

In hospitality research, brand attachment is defined as the interface between brand experience and brand trust for residential services (Kang et al., 2017). "Brand identification" is defined as having a personal relationship with the brand; It is therefore a form of brand attachment (So et al., 2013). In a review of hotel brands, brand identification indirectly affects brand loyalty through its effect on perceived service quality, perceived value, and brand trust (So et al., 2013).

The writings provide evidence to support the effects of fairness perceptions on brand-related variables. Perceived justice affects emotions and trust. In the context of service restoration, the dimensions of procedural and interactive justice affect customer satisfaction, which is a component of brand attachment. Understanding service fairness indirectly affected effective commitment in the hotel context (Kwortnik & Han, 2011). Effective commitment is similar to the brand commitment defined in existing research. The quality of the relationship mediates the impact of perceived justice on loyalty intent in the restaurant service failure situation (Ha and Jang, 2009). In addition, research shows that destructive and interactive elements are more important than procedural elements in hospitality settings. This affects the value-based and equitable dimensions of perceived fairness sales for reward programs (Shulga and Tanford, 2018). Therefore, the following hypotheses are stated:

Hypothesis 1- Value-based fairness has a significant effect on adherence to the brand of 5-star international hotels in Shiraz.

Hypothesis 2- Fairness based on relationship has a significant effect on adherence to the brand of 5 star international hotels in Shiraz.

## Understanding fairness and the intention of loyalty

The effect of understanding justice / fairness on loyalty was first examined in the context of service failure. A meta-analysis of loyalty in sales services concluded that "the perceived effect of fairness / fairness on loyalty is particularly evident in the context of service restoration" (Pan et al., 2012). Perceived justice The resolution of grievances is positively correlated with reinstatement purposes and negatively correlated with WOM. A study of hotel guests' perceptions of fairness of service showed that three types of justice affect behavioral and attitudinal loyalty through quality of service and trust, customer satisfaction, and effective and computational commitment (Kwortnik & Han, 2011). Distributive and interactive justice has a greater impact on the intention to revisit than procedural justice in hospitality (Ha and Jang, 2009). In addition, distributive justice for a sales reward program affected customer satisfaction and the intention to return to the store (Söderlund and Colliander, 2015).



Reviewing the writings finds a direct link between understanding fairness and loyalty intent in a variety of service contexts. Nevertheless, fairness is defined in these studies in service repair and service delivery. Using the Perceived Fairness Scale, this study evaluates a hypothesis in which there is a comparable relationship between understanding loyalty program and behavioral intentions. Therefore, the following hypotheses are stated:

Hypothesis 3: Value-based fairness has a significant effect on brand loyalty to 5-star international hotels in Shiraz.

Hypothesis 4: Fairness based on relationship has a significant effect on brand loyalty to 5 star international hotels in Shiraz.

Hypothesis 5: Brand affiliation has a significant effect on brand loyalty to 5 star international hotels in Shiraz.

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### **Conceptual model of research**

All research studies are based on a conceptual framework, which identifies the variables and the relationships between them. This conceptual framework is the model by which the researcher theorizes about the relationships between the factors identified in creating the important problem. This theory may not necessarily be the word of the researcher and may logically be derived from the results of previous research on the issue.

Since every field and survey research requires a mind map and a conceptual model that is drawn in the form of appropriate analytical tools, variables and relationships between them, accordingly, the theory is conceptually shown in Figure 1, which can be hypothesized with 5 hypotheses. The test is visible. Please note that all direct communications are assumed to be positive.





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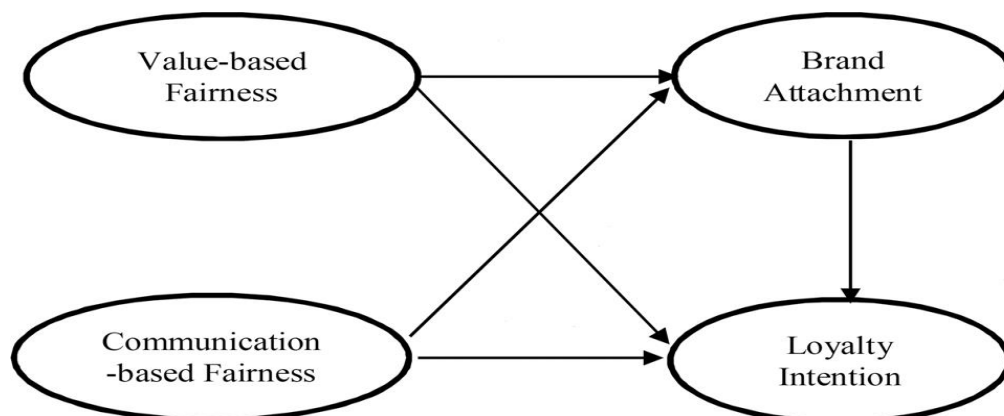


Figure 1: Conceptual model of research

## Research methodology

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Methodologically, this research is a correlational research. The present study is a descriptive research based on how to obtain the required data and in terms of research classification according to their purpose. This research is applied in terms of type and descriptive-survey method.

In this research, in order to compile the basics, definitions and theoretical concepts, library resources including existing documents, books and scientific articles were used. Also, a standard questionnaire was used to collect the data needed to test the research hypotheses. Information about measuring research data was collected with a valid questionnaire. The questionnaire of this research includes 24 standard questions, of which 8 questions measure value-based fairness, 6 questions measure relationship-based fairness, 5 questions measure brand loyalty and 5 other questions measure brand loyalty and were asked from the respondents. Who express their opinions on each question. This questionnaire was designed and developed by Hwang et al. (2019).

The questionnaire of this research was subjected to the judgment of several experts and professors of business management and marketing working in universities for content validity, and after making some corrections and obtaining approval from those professors in order to ensure higher and acceptable face validity. Those 30 questionnaires were distributed in the statistical community and at first it was not possible for the respondents to understand a number of questions and after several translations of the text and omitting a number of questions, the questionnaire had sufficient formal validity and finally the questionnaire agreed to Data collection tool was used.

The statistical population of the present study is all customers of 5-star international hotels in Shiraz. In the present study, since the exact number of statistical population is not available due to confidentiality of information and competition between hotels and tourism companies, therefore, the statistical population of the study is unlimited and to estimate the sample size of the formula A relative estimate



with a limit error of 5% and a maximum variance of 50% is used. Therefore, the number of samples is estimated at 385 people.

## Analysis

In this study, structural equation modeling using partial least squares method and PLS software was used to test the hypothesis and model accuracy. PLS is a variance-based approach that requires fewer conditions than similar techniques to structural equations such as LISREL and AMOS (Liljander et al., 2009). Its main advantage is that this type of modeling requires less sample size than Lizzell (Wicksom & Watson, 2001). It is also proposed as a powerful method in situations where the number of samples and measurement items is limited and the distribution of variables can be uncertain (Hair et al., 2010). PLS modeling is done in two stages. In the first step, the measurement model should be examined through validity and reliability analysis and confirmatory factor analysis, and in the second stage, the structural model is examined by estimating the path between variables and determining model fit indices (Hulland, 1999).

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## Step 1: Measurement Model

The test of measurement model is related to the validity and reliability of measuring instruments.

### Validity

For evaluation of convergent validity, the criterion AVE (mean variance extracted) and CR (composite reliability) were used. Composite reliability higher than 0.7 and mean variance higher than 0.5 are two prerequisites for convergent validity and correlation of structures (Qing Lin & Chi Huang, 2009). As it can be seen from Table (1), all composite reliability values are higher than 0.7 and values of mean variance are higher than 0.5 and this indicates that the convergent validity of the present questionnaire is acceptable.

Table 1: Results of the mean variance extracted from the research structures

Variables	Compound reliability	AVE
Value-based fairness	0/8794	0/5119
Communication-based fairness	0/8833	0/6034
Brand attachment	0/8488	0/6102
Loyalty intention	0/8494	0/553



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In the divergent validity section, the difference between the characteristics of one structure is compared with that of other structures in the model. This is calculated by comparing the AVE root of each structure with the values of the correlation coefficients between the structures. To do this, a matrix must be formed that the values of the original diameter are the root matrix of the AVE coefficients of each structure and the low values of the original diameter are the correlation coefficients between each structure with the other structures. This matrix is shown in Table (2). As it can be seen from Table (2), the AVE root of each structure exceeds the correlation coefficients of those structures with other structures, indicating that divergent validity of the structures is acceptable.

**Table 2: Comparison matrix of AVE root with structure correlation coefficients (divergent validity)**

	Value-based fairness	Communication-based fairness	Brand attachment	Loyalty intention
Value-based fairness	0/715			
Communication-based fairness	0/485	0/776		
Brand attachment	0/603	0/369	0/781	
Loyalty intention	0/544	0/547	0/469	0/730

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## Reliability

To evaluate the reliability of the questionnaire, in addition to the Cronbach's alpha coefficient presented in Table 3, which confirms the appropriate reliability of the questionnaire, PLS method was used. The PLS method uses index reliability (Rivard & Huff, 1988). Reliability of the index is also calculated by measuring the factor loadings by calculating the correlation coefficients of the indices of a structure with that structure, if this value is equal to or greater than 0.6 (Hulland, 1999), confirming that the reliability in The case is the accepted measurement model. But if the factor load between one question and the relevant dimension is less than 0.6, that question can be excluded from the subsequent model and analysis. As can be seen in figure (2), all values of factor loadings between constructs and questions are greater than 0.6, indicating a high correlation.

**Table 3: Cronbach's alpha coefficient**

Variables	Cronbach's alpha
Value-based fairness	0/8346
Communication-based fairness	0/8341
Brand attachment	0/9433
Loyalty intention	0/7999



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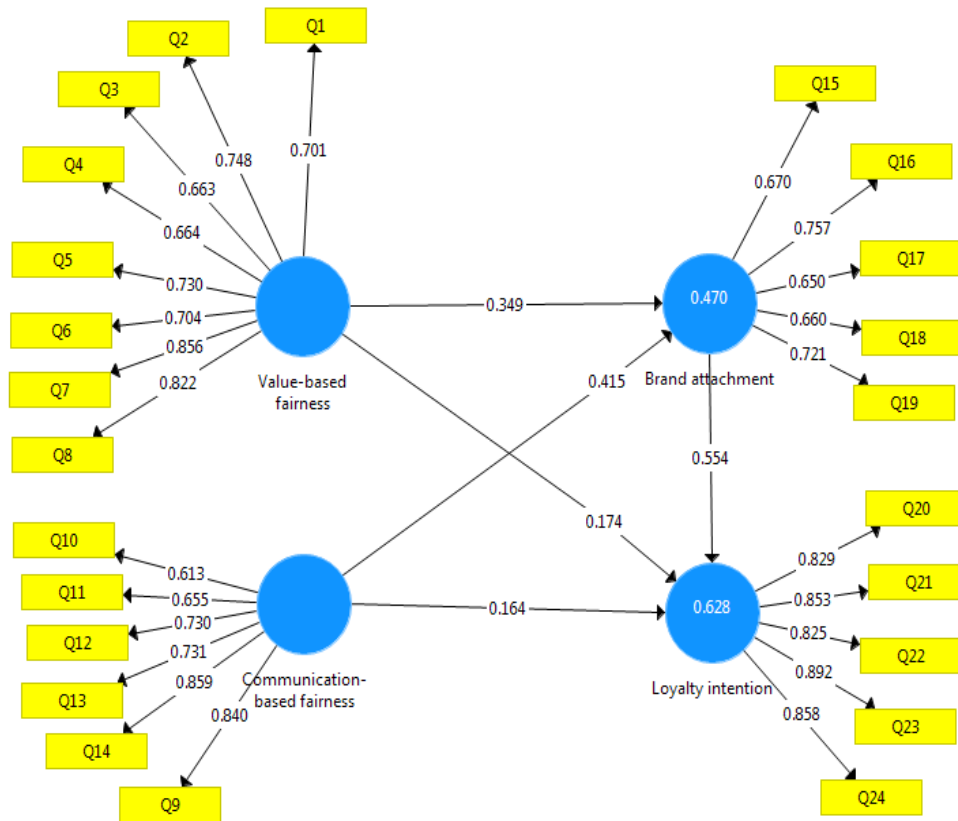


Figure 3: Software output - Modified research model (path coefficients and operating loads)

## Second step: Structural model and hypothesis testing

Structural pattern testing that relates to testing research hypotheses and the effect of hidden variables on each other. Bootstrapping command Smart PLS software was used to confirm the research hypotheses, which shows the output of the coefficients t (Figure 3). When t values are greater than + 1.96 and less than -1.96, it indicates that the relevant parameter is meaningful and subsequently confirms the research hypotheses.



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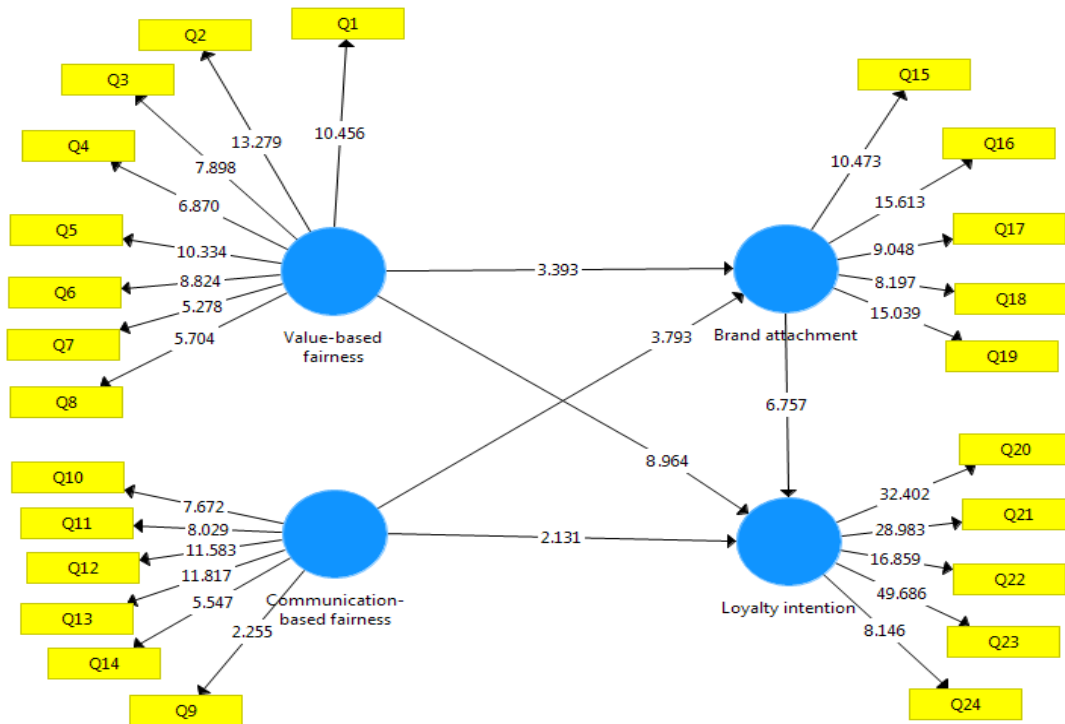


Figure 4: Software output - coefficients T

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## Methods for evaluating shaping measurement models

One way to evaluate shaping models is the coefficient of determination ( $R^2$ ). The coefficient of determination ( $R^2$ ) examines what percentage of the variance of a dependent variable is explained by the independent variable (s). Therefore, it is natural that this value is equal to zero for the independent variable and more than zero for the dependent variable. The higher this rate, the higher the coefficient of effect of the independent variables on the dependent. Based on the coefficient of determination of the model, it can be said that the variables of fairness based on value and fairness based on relationship together could explain 0.470 of the variance of the variable of brand affiliation. Also, the variables of fairness based on value, fairness based on communication and attachment to the brand together could explain 0.628 of the variance of the variable loyalty to the brand. Researchers have introduced three values of 0.19, 0.33 and 0.67 as the criterion values for weak, medium and strong values of  $R^2$ . Based on this, it can be concluded that the model has a high predictability's residual value is related to the prediction error and can include other factors affecting brand attachment and brand loyalty.



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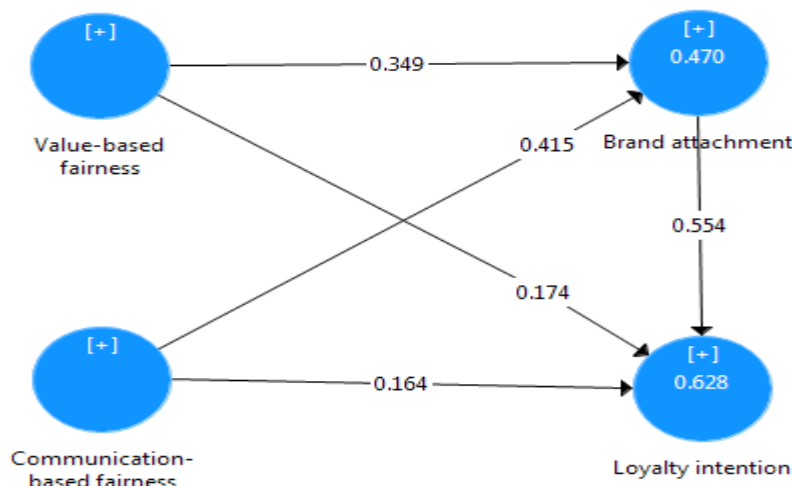


Figure 4: Evaluation of shaping measurement models

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## Response to research hypotheses

According to the results obtained from the path coefficient and t-statistic, all hypotheses of the study were confirmed, and the results showed that value-based fairness has a significant effect on brand attachment and brand loyalty to 5-star international hotels in Shiraz. The results confirm the significant effect of fairness based on relationship on brand attachment and brand loyalty to 5 star international hotels in Shiraz. The results also show that brand attachment has a significant effect on brand loyalty to 5 star international hotels in Shiraz.

Table 4: Direct effects, t-statistic and result of research hypotheses

theories	Standardized path coefficient $\beta$	statistics T	Meaningful	No rejection or Reject
Value-based fairness → Brand attachment	0/349	3/393	Sig<0.05	No reject
Value-based fairness → Brand loyalty	0/174	8/964	Sig<0.05	No reject
Communication-based fairness → Brand attachment	0/415	3/793	Sig<0.05	No reject
Communication-based fairness → Brand loyalty	0/164	2/161	Sig<0.05	No reject
Brand attachment → Brand loyalty	0/554	6/757	Sig<0.05	No reject

## Conclusions and practical suggestions

Following the outbreak of the Corona virus, which has closed the borders of some countries to travelers, many hotels, in addition to the problem of canceling customer flights, have faced cancellation



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problems in previously booked hotels. With the widespread outbreak of the Corona virus worldwide, hotel bookings in major tourist cities have dropped by 70 to 80 percent. As many hotels and resorts around the world have begun to reopen and gain customers during this transition period from Corona, they need to do more to maintain customer loyalty. This study seeks to investigate the creation of brand loyalty through reward systems with the mediating role of brand commitment in 5 star international hotels in Shiraz and improves the understanding of loyalty results by introducing unique components in the loyalty process. In previous research, rewards systems and fairness perceptions for loyalty in service failure or service improvement have been investigated (Choi and Choi, 2014; Pan et al., 2012) and it has been stated that if service improves after service failure ( A negative consequence) is considered fair, it is more likely that customers will remain loyal.

The present study shows that a strong understanding of fairness should be created with the aim of increasing the intention of loyalty and brand dependence for positive results. This research provides insight into one of the main principles of reward systems, which shows that intention is the best predictor of behavior. The findings of this study confirm the intention-behavior relationship, but suggest that intention may not be the best predictor of behavior when it leads to loyalty. Brand affiliation is a stronger predictor than loyalty. This study highlights the potential value of examining other related variables, as the combination of these two variables reveals new insights into the loyalty process. In addition, this study expands the role of brand affiliation.

In order to develop strong loyalty outcomes, management must consider fairness in creating an effective and sustainable reward program. Understanding fairness should be strongly related to the results of attitudinal loyalty. Increasing awareness of fairness is likely to lead customers to feel a sense of brand affiliation and a positive impact on loyalty intent and loyalty outcome behavior. Strategies to build loyalty should include communicating with customers in a friendly and trustworthy manner, and constantly monitoring such relationships.

In addition, managers of 5-star international hotels in Shiraz must understand the importance of fair communication, such as being responsive and paying proper attention to members' needs, and communicating in a timely and friendly manner. Management should establish standard guidelines for controlling and monitoring the stability of such communications. Fairness is a subject matter whose members may be perceived differently instead of objectively evaluating the benefits.

Managers of 5 star international hotels in Shiraz should compare their benefits, rewards, and communication processes from their rewards programs to competitors and ensure that they are equivalent or superior.



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