CHAPTER 5
Developing Customer-Centred Hospitality Businesses

Learning Objectives

Having completed this chapter you should be able to:

- Understand the concept of customer-centred business
- Explore the issues surrounding customer attraction, satisfaction, retention and loyalty
- Evaluate the processes involved in hospitality businesses becoming customer-centred operations.

INTRODUCTION

Hospitality businesses cannot succeed without their customers and moreover without satisfying their customers’ needs. In this chapter we introduce the idea of customer-centred business development and review the importance of understanding customer behaviour. We see this trend as being at the heart of a new approach to hospitality business development, but recognise that many of the issues have been long debated (Dick and Basu, 1994). Although we are part of a debate about introducing this as a new idea, Shah et al. (2006) note that the debate has been going on for more than 50 years. Undoubtedly we can point to a great deal of research that supports the benefits for businesses that come from introducing the processes that we will refer to as becoming customer-centred (Buzzell and Gale, 1987; Zeithaml, 2000). As Clarke and Chen (2007) observed, the focus on the firm itself concentrated management thinking on production...
and internal administration, but putting the customer at the heart of business necessitates a much broader concern. In the increasing competitive environment of global competition, hospitality businesses value customers more than as a simple source of revenues. Within these contemporary competitive markets, Scott (2001) has identified that the approval and loyalty of customers has been recognised as one of the key success factors for hospitality businesses (Scott, 2001) and the service offer has been shown to be one of the main determinants of customer satisfaction and loyalty (Gronroos, 2000). As McDougall and Levesque (2000) have observed, these factors now mean that from the position of hospitality managers the service offer has become central to the business model and must thus be seen as a vital strategic function within the business.

Customer-centred business models mean that hospitality businesses have to address how the internal functional areas, such as marketing, operations and human resources, are developed. In customer-centred businesses these functions operate markedly differently from the way they are constructed in more traditional models, such as those evidenced in production and manufacturing businesses. We can see that this reconfiguration is a product of the distinctive features of services – inseparability of production and consumption, intangibility, and perishability – but it is more than this. It has long been recognised that in hospitality businesses, production and consumption of services occur simultaneously. There is therefore a necessary and direct contact between the service deliverers and their customers. This had been seen as a problem for the service sector and for hospitality in particular but now it is recognised that these interactions are not only unavoidable, but are also actually the most important elements in generating a sense of value for the hospitality customers. The service encounter depends upon the interpersonal interactions between the customers who experience the so-called ‘moments of truth’ (Carlzon, 1989) and the hospitality businesses’ front-line employees who deliver the service that the experience depends upon. Indeed as we shall show later in this chapter, these interactions are at the heart of hospitality and are now seen as one of the most crucial elements supporting or determining customer satisfaction and perceptions of service quality. The ‘moments of truth’ are particularly important with the close proximity of production and consumption within the hospitality exchanges and this encourages the management to think about ways in which these situations can be constructed to engender trust. In modern hospitality businesses, the customer-centred rationale means that operations, marketing and human resources should be carefully managed not as isolated and separated functions of the business, but as interrelated internal functions, where every employee should have a strong sense of their
responsibilities not only for their narrowly defined job function, but also for how they contribute to both the operational and marketing functions of the business. As we shall demonstrate, it is important for the waiter who delivers food services to recognise that they are actually and simultaneously acting as a crucial personal ‘part-time marketer’ (Gummesson, 2002) for the hospitality business that employs them as a waiter.

For all hospitality businesses, it is especially important to develop your knowledge of your customers, both in terms of their expectations and their potential levels of demand. As early as 1996, Gummesson was observing a slow but definite switch in management practices and in the journals of management research away from the concerns with, and of, the supplier towards those of the customer. This opens up new pressures on the businesses and means developing knowledge about the customers, through market research and developing some meaningful form of two-way communications, through marketing communications systems, with those customers who use your services; and, even more difficult, reaching those who might potentially use your service. This is the basis for an ongoing process, where the customers influence the choice of new product development and influence the launch strategies and attributes emphasised in the business development. What we see is a need to undertake market research to know the market(s) and to constantly review your communications strategy to ensure that your business becomes and remains aware of what it is that the customers want in what you bring to the market. The successful adoption of customer-focussed business models should see the businesses improving both their market share and their profitability.

Activity
Think through a successful hospitality encounter and note in how many ways the business touched you as a consumer. All these points of tangible and intangible contact create a business environment that impacts on the consumer as well as those involved in the business organisation. The diagram on the following page might help you identify some of those points of contact.

Meeting the needs of customers is never as simple as it sounds. As we noted earlier, there are significant differences between service exchanges and the consumption of products. These differences mean that the production, delivery and quality-control systems that are utilised in manufacturing industry may be inappropriate for the hospitality industry. Those factors that seemed to guarantee business success in the past are no longer seen to be as
relevant today as managers have realised that traditional approaches to management and marketing are inadequate in an increasingly competitive market (Vargo and Lusch, 2004a,b).

We believe that the only basis for successful business development is solid and comprehensive market research. Knowing your customers – actual and potential – and your competitors is essential to the development of strong businesses and testing the new product development proposals. If a traditional business model is adopted, it is all too easy for the businesses not to be aware of how their customers are changing in buying behaviour and perceptions of the market. The more the companies’ existing business models maintain a strong base of customer-centredness, the greater the likelihood they will be sensitive to any, positive and negative, changes in their customer perception (Parasuraman et al., 1990), customer care (Lewis, 1996), customer expectation (Zeithaml et al., 1991), customer loyalty (Fredericks and Salter, 1995), customer relationships (Jackson, 1985), customer satisfaction (Churchill and Surprenant, 1982), customer value (Slater and Narver, 1994), and customer loyalty (Fredericks and Salter, 1995).

**FIGURE 5.1** Approaches to customer research.

Source: Adapted from Kandampully, 2006. The new customer-centred business model for the hospitality industry.
customers, priorities, attitudes and expectations. Businesses need to be aware of what customers actually experience. This awareness is critical, especially as it should be remembered that often the current customer experience is the result of emergent or unplanned development. Even in the pages of this text it would be naïve to assume that customers always get the best experience from hospitality businesses and this dissatisfaction has consequences for both the customers and the businesses which disappoint them.

There is plentiful evidence, both in the journals and anecdotally from talking with hospitality managers, that there are almost always considerable cost and revenue gains to be made where businesses make improvements to the customer experience. This reinforces the need for the initial mapping of the potential customer and also the current customer experience. In the spirit of two-way communication, it is not enough to take notice but businesses should then seek to validate this with the customers. This testing helps managers to identify the ‘touch points’ that customers’ actually value and dislike and improve the sense of where the overall engagement with the business falls short of customers’ expectations. The perception of managers can be very different from that of the customers, so it is important to ensure that the true feelings of the customers are built into the feedback that shapes the business decision-making. Customer-focussed businesses have begun to hold regular meetings with particular groups of customers to rapidly check the meaning of the feedback and what the reactions to the comments will mean. There is now a feeling that innovations can flow from these meetings with the customer groups, rather than just validating suggested changes.

Managers can gain a great deal by looking at other businesses that are operating in similar markets or with similar business models. Increasingly, networking is seen as an integral part of senior management roles as the observation of best practice is becoming more important. Some aspects of best practice can be identified through formally benchmarking with other businesses. Many areas, both geographic and sectoral, now provide entrepreneurs with opportunities to network and this can lead to executive benchmarking clubs. Benchmarking also helps to build a view of the readiness of an organisation to move towards a more customer-centred business model and where customer-centred values have to be highlighted or introduced. It is important to recognise that formal benchmarking can be supported by informal benchmarking, where casual observations are brought back to the businesses and put into the decision-making processes. One such example comes from a chain of Danish steakhouses that operate a child friendly restaurant policy and have added extra dimensions because of recommendations of best practice they have received from their staff who
have taken their own children out to eat and found interesting stories to bring back. This has led to the introduction of table games for the children and a direct link with Cartoon Network for the use of their characters, many of whom are popular with the children.

**RITZ-CARLTON**

Ritz-Carlton has become a regular feature of case studies. We are aware of all sorts of things about their operations because they continue to be an object of fascination. From general accounts, such as the two part case study entitled ‘My Pleasure’ [http://www.expertmagazine.com/EMOnline/RC/part2.htm] or the ‘Ritz-Carlton Case Study’ [http://www.oppapers.com/essays/Ritz-Carlton-Case-Study/191116] and particular hotel developments such as Case Study: The Ritz-Carlton, Marina Del Rey [http://www.afproducts.com/resources/case-study/ritz-carlton-marina-del-rey] or the $144.5 million Ritz-Carlton & Residences at Battery Park, located just five blocks to the south of the World Trade Center site in New York [www.gamewell-fci.com/casestudies/ritzcarlton.html]. We can learn about their branding, for instance in ‘Branding, a job well done’ http://www.brandchannel.com/features_effect.asp?pf_id=286. And their management practices have been documented in ‘Ritz-Carlton’s Human Resource Management Practices and Work Culture: The Foundation of an Exceptional Service Organization [http://www.icmrindia.org/casestudies/catalogue/Human%20Resource%20and%20Organization%20Behavior/HROB100.htm], which brings us much closer to our focus here. The story is well told in the account of the Portman Ritz-Carlton in Shanghai [media.ft.com/cms/5aa22940-74a7-11db-bc76-0000779e2340.pdf], describing how the hotels operate to provide exceptional customer satisfaction. Their policy is to satisfy every need of their customers and they have given every employee the authority to commit up to $2000 (including even the low-paid, hourly workers), encouraging them to do ‘whatever it takes’ to make their customers happy.

The impact this commitment has on the profitability of the business has been the subject of less comment. This may be partly because it is not easy to establish the profitability of the individual hotels. The Ritz-Carlton brand is part of the Marriott Corporation and they have never reported on profits individually. However, the situation is even more complicated as, although the brand is owned by Marriott, the hotels are not owned by them, they help to manage them for the owners of the specific properties. Therefore the contribution to the Marriott corporate accounts comes from
the management fees they charge rather than the operating profits of the hotels. In this way the Ritz-Carlton brand can make money even if its hotels do not. There is no formal requirement for individual hotels to make public their operating performance so it is difficult to comment in detail. What has been observed is that there have been a number of disputes between the owners and Ritz-Carlton, with the owners claiming that Ritz-Carlton puts the commitment to the customers’ satisfaction ahead of operating profits. Some commentators have pointed to several high-profile lawsuits, an increasing number of bankruptcies, the conversion of properties to other brands and the switching of the management contracts to other management companies as evidence that the return to the owners is not the highest priority for the Ritz-Carlton brand [www.brandchannel.com/brand_speak.asp]. They suggest that there is little evidence that links the strategic commitment to high levels of customer satisfaction with profitability, suggesting rather that what the examples demonstrate is the opposite as the commitment to customer satisfaction can have significant negative impacts on short-term operating costs and therefore on the profitability of the hotels.

The Ritz-Carlton story has been built on reversing several conditions which were taken for granted in the hospitality industry. The long time president of the Ritz-Carlton, Horst Schulze, argued that in the 1980s the industry was ‘a lousy lot’ but he argued that his company – and by extension, the whole of the industry – could be transformed by moving towards what we have called a customer-centred approach. He did this by rejecting the traditional big business models and refocusing the company. He recognised the dire conditions of the industry, seeing the vicious circle for what it was – a low pay environment with little by the way of fringe benefits for the workforce, that contributed to very high levels of labour turnover because there was no reason to develop any loyalty to any particular hotel company – especially if another hotel offered you a little bit more. Management reaction to this turnover was to ignore training, as the training would be lost when the worker left and even worse would benefit a rival if they went to work for someone else … as they surely would in the double bind of the vicious circle. If the workforce were not treated well, how could the management expect them to treat the customers properly, with courtesy and friendliness? Schulze argued that when customer satisfaction is at stake, the front-line workers had to be empowered to feel good about the organisation and to respond to customers helpfully. It was seen as a long-term strategy but one which he saw as being totally within the control of management.
That Schulze was successful is now almost the stuff of legend – and it is possible to see the huge transformation of the industry as the results of the initiatives of this one man. The learning point here is not to under-estimate what the effects of one deeply committed entrepreneurial leader can be even in the difficult circumstances surrounding the hotel industry. A shift towards a customer-focussed business strategy could be introduced and the results could be so successful that other players in the industry had to take note. It was the start of what could later be seen as a customer revolution!

The organisation we see today has developed from 1983 when the historical Ritz-Carlton of Boston and the rights to the brand name were acquired by the Marriott Corporation. It is now an independent division of Marriott International, managing 45 hotels on five continents. Its success has been recognised by awards for service quality and customer satisfaction in all five continents. The model is simple with the approach that all of the Ritz-Carlton’s 22,000 staff are, in the words of the company, ‘Ladies and Gentlemen Serving Ladies and Gentlemen’. The message is straightforward, with over 85% of the workforce engaged in front-line employment the mantra means that the basics of customer-centred business are led from the front. The essence of the approach to quality service is based around:

1. a warm and sincere greeting using the customer’s name if possible;
2. a constant anticipation of the customer’s needs; and
3. a warm goodbye, again using the customer’s name whenever possible.

The company has broken the old vicious circle of low salary and high turnover by refocusing all of its processes on the customers – including recruitment and training, where there are now 250 hours of training for first-year front-line associates. The ladies and gentlemen are now offered a wide range of opportunities for professional development, and encouraged to think in terms of careers in the Ritz-Carlton. A survey in 1999 revealed that more than 80% of their guests claimed to be ‘extremely satisfied’. The Ritz-Carlton Hotels have established a policy of ‘defect-free’ experience for its guests, that has led the management along a journey that removes all customer problems. This has seen detail-oriented procedures for quality improvement and problem solving being developed and documented. These processes have identified many areas where problems can arise and the systematic analysis of the data has identified how these problems can be addressed and the customer experience made a more positive one. Through
this systematic research, the company established that there are 1,071 potential instances for a problem to arise during interactions with Meeting Event Planners. As a result of adopting this systematic customer-centred approach in 1998, over 80% of Meeting Planners reported that they were ‘extremely satisfied’ with their overall experience, up from fewer than 70% a year earlier.

Since the success of the Ritz-Carlton revolution, it has become apparent that successful hospitality firms have recognised the value of meeting the customers’ expectations and developed customer-centred processes that help to ensure that this happens. The two-way communication with customers about the business and about the customers’ own views has helped hospitality offers to be shaped around the customers and the customer service issues. This is not to say that the tangible elements of the hospitality package are not important, but that the ways that they are presented and delivered to the customers makes a significant difference.

What we have tried to demonstrate is that the strategic commitment to customer satisfaction does not always sit easily with profit generation in the short term and should not be confused with shareholder satisfaction. The costs incurred in implementing customer-centred business processes require a delicate balancing act by the managers. All the elements of customer-centred business come at a price to the business – training, increased staffing levels, more products; higher service levels all incur costs. Unless the introduction of these elements produces increased business, justifies higher prices or generates higher levels of occupancy, the business’s profits will be reduced. Increasing customer satisfaction does not always translate into greater profit – the changes have to be validated in the market and valued by the customers.

ATTRACTING CUSTOMERS

It is worth remembering that over 40% of new businesses set up in the UK each year fail within their first two years of business. Prior to starting a business, it is imperative to carry out research to determine which sector[s] of the market[s] the offer should be aimed at. Once a business has identified its target demographics, it is then necessary to determine the best ways of reaching them. There are many ways to achieve this and the most appropriate way will vary from business-to-business. Targeting the wrong sectors with promotional activities is a waste of valuable time and money.
Customer communications

Marketing has in the past focussed on getting the message from the business to the customer but a customer-centred approach calls for something more than this. We have stressed the importance of attitudes and values in the business models we are focussing on. A hospitality business must establish these attributes as a central part of its business image. How businesses capture these intangible elements is part of the image and identity building processes, building upon the market research that has helped to specify.
what those positive attributes are in the eyes of the potential customers, in terms of both the core and augmented products and services to be offered. This then forms the basis for constructing the identity of the business, which is at the heart of raising awareness and interest in the business activities.

Identity can be promoted in a variety of ways, some of which involve major investment whilst others cost little or nothing. Using the available budget to the best possible results has to be carefully managed and evaluated. We have seen very successful identities created in airlines through the choice of corporate colours – everyone recognises easyJet’s orange, which is a basic approach, but Cathay Pacific and Singapore Airlines have also built up their reputation with cabin crew uniforms of great distinction, although they probably cost more than easyJet’s! We are told by the texts that a regular small presence creates more awareness than less frequent big splashes. In general this principle holds but there are exceptions which help to challenge the thinking behind such an easy assumption. EasyJet have a policy of regular small adverts but their fierce rivals use eye catching one offs to great effect. They have been helped by a number of these campaigns being halted by legal objections – they were threatened by the advertising standards agency over an advertisement featuring a supposed school girl and by the French President Sarkozy for featuring his wedding arrangements without his permission. The lesson to be drawn from this is that there may be no single best way to launch an image and to maintain it – but you need to conduct your market research in order to be able to say whether the communications were successful. You also need to hear from your customers about why they were – or were not – successful and what attributes they were developing in terms of your business identity.

A business can use a variety of means to reach its target markets – you might consider these methods outlined in Figure 5.2.

Activity

Businesses should not underestimate the value of word-of-mouth recommendations but they are harder to control and indeed are not directly controllable by the business managers. This does not mean that it should be neglected – it has to be influenced positively to build up the image and reputation of the offer. Think back through your own experiences of hospitality offers – which stories do you tell to your friends and family? As always customer service is important and the adage that ‘the customer is always right’ should be remembered – a happy customer is more likely to recommend your business to their contacts. However, the literature says contented customers tell one person for every ten that dissatisfied customers complain to.
The Internet has added an extra dimension to this, which has been exploited by Dave Carroll of the Canadian band Sons of Maxwell. He found that his guitar had been damaged during a United Airlines flight and when he did not get any positive response from the company exacted this poetic revenge. The song, ‘United Breaks Guitars has become a cause celebre, featuring on news programmes as well as being very popular on i-players and music channels. Please watch it – at [http://www.youtube.com/watch?v=5YGc4zOqozo&NR=1](http://www.youtube.com/watch?v=5YGc4zOqozo&NR=1) and it has made the customer


**FIGURE 5.2** Customer communications approaches.

Is this true for you? What sort of stories do you tell when you return?

A close friend has recently returned from Canada professing deep love for the countryside but after one and a half hours of listening to stories, only had bad things to say about the quality of the service offered. Waiting over an hour for the starters in a restaurant was a top story – only made better by the fact that they ran out of chips as well. Given that over 80% of main courses on the menu came with chips, this is staggering for all sorts of reasons. Which part of this will you remember? That Canada is beautiful or that restaurants can be difficult places?

To bring the point home, highlight what makes good service for you and then think through when you have passed the good news on. It may be harder than you first imagine!
relations officer Ms Irlweg famous, or should that be infamous. Carroll has since added a response which shows how far he has moved the company, even if he has taken over 12 months to do it and makes the point that, although she has been heavily criticised, Ms Irlweg was only following company policies at the time. [http://www.youtube.com/watch?v=Ay7hFIYQFnw&feature=related]. United Airlines have seen their share prices drop by 10% in the first two weeks and market share drop, which you may feel is no coincidence.

This is not the end of the story though. Taylor Guitars have issued a clip which sympathises with the guitarist and also offers guidance on how to travel safely with your guitar [http://www.youtube.com/watch?v=n12WFZq2__0]. Moreover, the incident has triggered further story telling, as North western Airlines now know to their cost – http://www.youtube.com/watch?v=6v3NgxGKqCE.

**CUSTOMER PERCEIVED VALUE**

The communications strategy needs to be sophisticated enough to gather information about the customer to ensure that the offer is correctly matched. As we have observed already, improving customer satisfaction does not always lead to improved profitability. We have to recognise that the relationship should be rephrased to properly capture the connection and suggest that profits come only from actual sales to customers and, therefore, increased profitability requires more sales at a price that covers the service quality offered. The problem for the business decision makers arises if they make the assumption that increasing customer satisfaction will automatically increase sales. It should also be noted that increased demand without sufficient capacity can affect the perceived value of the offer and there is a likelihood that customers’ perception will register the poorer service quality that follows. In one of the first studies of its kind, Heskett [1986] reported a study in a restaurant in which customers’ perceptions of service quality changed dramatically once the restaurant reached 75% of its capacity. Anywhere below 75% of capacity and there was an increase in the levels of perceived service quality but after 75% the customers’ perceptions of service quality declined quite rapidly. Therefore hospitality businesses which want to develop any notion of a customer-centred strategy have to maintain an appropriate balance between demand, capacity and the quality of services at the same time. The number – 75% – may not be magical and it will need to be established for every specific hospitality offer individually as the combination of location, circumstance and context will be unique.
Market research can tell us many things but it does reinforce the idea that customers operate with a keen sense of value within the markets. It appears that customers buy whatever appears to be of the greatest value to them, with this sense of value coming from many different elements of the transaction. Budgets, available time, taste, fashion and experience all add to the construction of a customer’s sense of the value that the purchase will contribute to them. This is known as customer perceived value. The difference between customer satisfaction and customer perceived value is centred on the very important notion of the willingness to pay for the benefits offered by the seller. It is all too easy to be misled by customers who talk up customer satisfaction as they will always say they like better products, and more services, and fewer problems. However, as we have observed, these improvements only work for the business if the customers are willing to pay for them. Offering improvements that the customers are not willing to pay will only drive down profits.

One of the problems in dealing with customer satisfaction is that the best information is always historical, even if it is recent history, as the reports are based on consumption that has already happened. This means not only the conditions of the offer but also the conditions surrounding the consumption – and changes in either could reinforce or challenge the sense of value in the prospect of undertaking a future purchase. The data for customer perceived value are based on information about how the customer feels now and how they are contemplating purchases in the future. The idea is designed to allow market research evaluation of what the likely uptake of proposed product and service developments would be, in terms of how they would be valued by the potential customers.

**CUSTOMER SATISFACTION**

We have so far used the term customer satisfaction as if it is an easily understood notion, but the drivers of satisfaction are many and varied. As with our approach to hospitality, satisfaction must include both tangible and intangible elements of the experience. Some argue that the benefits gained from hospitality exchanges lead to satisfaction through the satisfaction of functional needs. However, there are also important emotional elements involved in customer satisfaction in the hospitality industry and trust constructs are very important in assessing satisfaction. It is possible to construct a six-dimensional categorisation which includes:

- material provision,
- technical operations,
- staff adaptability,
- staff/customer relations,
- image and
- value.

It must also be recognised that the drivers of satisfaction will vary across customer groups such as leisure versus business guests, and amongst users of different categories of hotel or services. We are also sure that customer satisfaction should also encompass employee satisfaction, using Heskett’s Service-Profit Chain. It became popular to refer to the employees as internal customers to capture their importance in the construction of the hospitality offer. However, we believe that the argument is that employees need to experience quality service from the business before they can be confident in offering it to the – external – customers.

Parasuraman and Grewal (2000) have linked the notions of satisfaction and perceived value and argued that the offer of a unique or distinctive perceived value can lead to a competitive advantage that competitors find it difficult to challenge. They argue that this is the basis of customer loyalty, one of the important ways of measuring customer reactions in the hospitality industry. Since the 1990s we have seen studies (Zeithaml et al., 1996) that have shown that loyalty is based upon the customers’ sense of perceived value and of the quality of the service delivered (Kangis and Zhang, 2000). This has now even become a concern for politicians and political parties as they seek to build long-term relations with the voters (Brennan and Henneburg, 2008).

**Example: Frequent-Stay Programmes on the Rise**

Members of hotel loyalty schemes are nearly twice as likely to return to a hotel compared to non-members. Industry reports in 2003 suggested that guests are finding frequent-stay, or hotel loyalty, programmes increasingly important. The numbers involved in frequent-stay programmes grew by nearly 12% in 2003. The number of guests who indicated that membership in a hotel’s frequent-stay programme was ‘very important’ in selecting their most recent hotel stay rose steadily throughout 2003, with a 25% annual increase. Features like the transferability of points and instant redemption, combined with no blackout dates and no point expiration, are making it faster and easier for members to redeem their points for hotel and merchandise rewards and are helping drive guests to join such programmes in greater numbers. Beyond the repeat business that these programmes encourage, club members typically spend more per room, are less sensitive to price increases and are more satisfied with their hotel experience.

As we are often told, hospitality customers are an increasingly sophisticated clientele and there is evidence that these sophisticated customers may be more influenced by a sense of style and design. It is argued that there is a shift with increasing experience from functional benefits to emotional ones. This is best seen in the popularity and placing of the boutique hotels and their individualised offers, which compete effectively on a small scale with the much larger and established brands. It is apparent that the customers of today are unwilling to compromise on the quality of service they receive, and therefore the quality of service has become the key to customers’ approval of a hospitality organisation. This basis in the customers’ perceptions can be hard to shift and thus make it very difficult for businesses to create loyalty, even if customers are satisfied. However, if we examine the relation between customer satisfaction metrics (i.e., behavioural loyalty, attitudinal loyalty, etc.) it is possible to see the intangible or emotional elements outweighing the functional and tangible ones in consumers’ decision-making processes. This may mean that loyalty may be more important than satisfaction.

CUSTOMER RETENTION

Loyalty brings us to the arguments surrounding customer retention. We have seen retention strategies developed into customer relationship management (CRM) in many larger organisations but the lessons are valid for small- and medium-sized enterprises (SMEs) too. The bottom line is simple – market research shows that marketing to new customers is much more expensive and less effective than retaining existing customers. Retaining a customer only costs something like 10% of the costs of attracting a new customer. Implementing a CRM with a retention policy will lower marketing costs as the full costs are only experienced when acquiring the new customers. Indeed the longer the relationship, the lower the overall and average costs. This means looking at the elements of both behavioural loyalty and attitudinal loyalty to ensure that the business processes highlight and emphasise the positive value sets that will appeal to customers. Sivadas and Baker-Prewitt (2000) go further, claiming a direct correlation between the customers’ perceptions of service quality and their subsequent loyalty. This also extends to their willingness to refer the business to others. With this in mind we can begin to formulate a chain of understanding for the hospitality relationship.

All of these stages are worthy of research and understanding of the complex constructions in terms of specific businesses and particularly in testing new business proposals.
We can also note that retention brings other benefits as long-term customers demonstrate characteristics that are supportive of the business. They have been identified as being:

- less inclined to switch,
- less price sensitive,
- more likely to introduce new customers,
- more likely to purchase additional products,
- less expensive to service because they are familiar with the process,
- require less ‘education’ and
- more consistent in their buying behaviour.

All these factors make them ‘good’ customers and therefore they should be valued not just because they are there but because they offer advantages to the business. They are also difficult for your competitors and their loyalty and retention makes it harder for other businesses to enter the market or increase their market share. If we look at the internal and external customer dichotomy again, we can also see that increased ‘external’ customer retention and greater customer loyalty leads to more satisfaction for the internal customer as well. Satisfied employees provide for better customer satisfaction in a virtuous circle. We can also identify the positive side of the word-of-mouth relationship we mentioned earlier as the verbal referral of the existing customers is very powerful in forming new customer relations.

**CUSTOMER CARE: BENEFITS AND IMPORTANCE**

Sheth et al. (2000) argued that a service-oriented focus is a customer-centred focus. We would like to highlight this by tracking another aspect of customer-centred approaches and explore how you can establish the ways in which customers see and position a business. We should try to stand in the shoes of our customers. The following seven habits [http://www.strategicmarketingmontreal.ca/newsletter-13.htm] distinguish the truly
customer-centric organisation from a business that merely thinks a lot about its customers.

1. We have a promise for our customers, not just a mission for ourselves.
2. We bundle services in with our products.
3. Our Website is a welcoming door, not a magnificent edifice.
4. The customer finds it easy to contact us, by whatever method is convenient.
5. Our telephone system is ‘customer-friendly’ and not just cost-effective.
6. Our customer has one main contact who makes everything happen.
7. Our customer service gives the service the customer really wants.

Activity

Evaluate a company that you know and think through how you would rate them on the basis of the seven habits.

How easy is it to identify this customer-centred approach from outside a business?

A CUSTOMER CENTRED BUSINESS MODEL

In one of the most important articles in this field, Kandampully (2006) presents a three-phase strategic orientation plan that provides both theoretical and practical directions for businesses in the hospitality industry, so as to effectively reorient the hospitality companies into customer-centred businesses. We will present this model to you as it is one of the most clearly elaborated workings of what we believe is the most significant challenge in the hospitality industry. Kandampully's research has identified factors that are essential to support hospitality firms to operate effectively within the new business model.

The context for his argument will be familiar as we have already worked through many of the arguments in this book. He sees the customer-centred model becoming more important for three reasons to do with the competition and the competitive advantage of businesses, the customer and changes to and within the customer base, and the importance of the service quality challenge. As we have seen customers are becoming more sophisticated and experienced, the search for competitive advantage has placed greater
emphasis on the augmented product (highlighting the service elements) and the hospitality businesses have had to reconsider their core competencies. We will now elaborate the arguments underpinning these three areas.

1. Customer

The customer is no longer merely the person who makes purchases and therefore generates revenues for the business. For Kandampully the concept of ‘customer’ becomes an icon that serves to focus and orientate the sense of direction of the entire business. Market-driven companies continuously collect and evaluate information about their customers and their competitors. Market research means that businesses can develop their own business practices to focus on the service offer. Lifestyle changes, based on economic growth, higher disposable incomes, technological advances and globalisation mean that services are an integral part of the customers’ social needs and indeed their identities.

2. Competitive advantage

Competitive advantage is often attributed to a firm’s core capabilities. By developing these core capabilities that are valued and difficult to match, hospitality business firms can create the basis for a sustainable competitive advantage and superior profitability. Knowing the markets and understanding the customer are core capabilities that are considered to be some of the most distinctive and valuable features for customer-centred businesses organisations.

Businesses striving for competitive advantage in the field of hospitality have recognised that the intangible components of their offers are very important and that customers are coming to expect more and more from the companies they do business with. As globalisation and increasing competition have come to the hospitality markets, it has been observed that there is little to differentiate many of the products brought to market and therefore the service offer has become increasingly important to the claims for competitive advantage. Customers’ perceptions of the firm’s service quality, and their perceived value, not only offer the businesses their most sustainable basis for differentiation but also their most powerful competitive advantage.

3. Service offer

Traditional core offerings of food and accommodation do not reach the level of the competition or the expectations of the customers. The focus of successful businesses is moving away from emphasising the tangible
component of their offers to the intangible component of their offers and a customer-centred and service-oriented focus has thus emerged as the prerequisite for gaining market dominance in the hospitality industry. Services are therefore no longer merely additional extras but represent an essential component of any hospitality business.

Other strategies do exist for businesses but they may encounter more constraints. For instance the decision to react to increased demand by providing more may hit real constraints in terms of capacity – in the physical limitations of the premises, the ability of staff to cope with the extra demand or the demands of the new offer. If this is added to the perishability of service offers, the risks of expansion can be seen as enormous. Demand may be restricted through pricing strategies that price customers out of the market or into the market. These pricing strategies are short term and may not deliver long-term solutions for the business. These strategies sit oddly with the emphasis on customer perceived value as the context is artificially manipulated. Customer-centred strategies have more respect for the customer and seek to increase the perceptions of value, not decrease it.

Customer-centred businesses recognise the interconnections between the functional departments, such as human resource, operations and marketing and the delivery of the service offer (Lovelock et al., 2001). Within the customer-centred business model, every employee in a hospitality business must assume an active front-line role, as the customer relationship constitutes the most important contribution that can be made by any employee. The customer-centred business model assumes that there is regular and meaningful communication between all the relevant stakeholders and the central management functions of the business and this is essential for the successful development of hospitality businesses. Given the lessons already learned about the changing patterns of hospitality businesses, the prospects of developing the business through the recognition and critical evaluation of these interactions offer the business the opportunity to achieve market share, customer loyalty and market leadership.

A CUSTOMER-CENTRED BUSINESS MODEL

The rapidly changing businesses environment has driven businesses to look at the established business models and give serious consideration to alternative models that make use of new technologies to enhance businesses’ efficiency and improve the customers’ perceived value. The combination of
the new technologies with new knowledges and new business processes (Li et al., 2009) has produced the operational basis for the implementation of new processes to deliver effective strategies for dealing with the range of new business challenges. These new business models can suggest different ways forward to provide alternative approaches for firms to consider (Chapman et al., 2002) – not only in terms of what the businesses are going to do but also in the ways the businesses will behave to achieve their aims. Kandampully (2006: 182) proposes a model in three phases:

Phase 1: corporate intent,
Phase 2: strategic direction and
Phase 3: core capabilities.

The first phase sees the hospitality businesses reinventing themselves and their business models to place the customer at centre stage. This means centring the customer at the heart of the long-term business strategy of the business, linking together its service offer with the management functions. There has to be tangible corporate intent to bring the change of focus into effect and ensure that the involvement of the customer is all embracing. This will ensure that the business offer, including both tangible and intangible elements of the offer, will reach the market in such a way that it satisfies the customer more completely than any of the competition.

As the business moves into the second phase, we can see that there has to be a business-wide commitment to the strategic direction. This sense of strategic commitment means the businesses bringing the functional departments, what Kandampully refers to as the internal mechanisms of the business, into line with the re-centring of the business practices to ensure that the customer remains at the heart of the whole operation. The business model brings together three elements that can be used to test this commitment as the hospitality offer should be functionally efficient, create an operational distinctiveness in the market and enhance the sense of perceived value amongst the customers. Ultimately success will be judged by the customers’ perceptions of the value of the new offer, both in its own terms and when compared to the offers of the competitors.

The third phase of the model is orchestrated around the four core competences in the businesses, identified by Kandampully as technology, networks, relationships, and empowered employees and the ability of the business to maximise the synergy across and between these four interdependent elements. The success of the businesses’ customer-focussed strategies will mainly be determined by the abilities found within the businesses, that is to say the range and extent of their core capabilities.
The businesses’ ability to deliver service quality effectively and to address service delivery problems creatively depends on their core competencies. The perception of excellence will be judged by the ways in which the businesses adjust to and anticipate the needs of their customers. Old fashioned notions of productivity cannot capture this sense of the dynamic relationship, encapsulating product, service and customer relationships (Verhoef et al., 2008). The degree to which they contribute to a specific service is decided by the requirements of the customer and the business must develop the flexibility to alter the offer for the benefit of individual customers (Wang and Lo, 2003).

**SUMMARY AND CONCLUSIONS**

In this chapter we have seen some of the ways in which hospitality businesses have shifted towards customer-centred strategies that enhance the sense of the customers’ perceived value and help to retain those customers. Kandampully has one last image which is worth sharing with the description of the way, in less turbulent times, firms were able to rely on the ‘flywheel of momentum’ to sustain their progress. This is a lovely image which fits with the classic approaches to management and their commitment to measurement and incrementalism. The pressures involved contemporary business development, and the globalised nature of competition means that successful hospitality companies must be able to respond rapidly to changes in the attitudes and expectations of their customers. The shift moves customers from being the last link in the supply chain and places them at the centre of the business and the strategies for its development.

Hospitality businesses need to recognise and respond to both internal and external drivers. This means being aware of the pressures on the businesses’ core and that all the important internal functions, operations, marketing and human resource management, are geared to working together to enhance the quality of the customer experience. The emphasis we have placed on market research and the relationship with the customer should ensure that the businesses will be aware of the market conditions and can shape their offer to the changes identified in the market. We have seen that knowing markets is essential to business planning and business success, as that solid knowledge and two-way communication create the conditions for greater customer satisfaction and increased customer loyalty. The strength of this relationship and the ability of the businesses to utilise such dialogue effectively are what will mark out the most successful customer centred businesses from those that are less successful.
REVIEW QUESTIONS

1. Define the concept of customer-centred business and give examples from hospitality businesses.
2. Customer satisfaction is not enough to attract potential customers – discuss.
3. Customer perceived value is a better guideline to business success than satisfaction research – elaborate the linkages between profitability, satisfaction and perceived value.
4. ‘Why is it better to retain customers than to find new ones?’

Case Study: ‘And You Think Strawberries are for Eating…’

The following are excerpts from a speech first delivered as the keynote of the AMERICAN MARKETING ASSOCIATION annual meeting in New York City in 1973. It was published in the Saturday Evening Post in 1974, October issue.

We make no apology for the date of the piece or for the length of the example. Please read the extracts carefully, it puts much of the chapter into perspective.

James Lavenson owned a marketing and advertising company before being invited to become a senior management executive with Sonesta International Hotels. He was given responsibility for the company’s hotel and food interests and some non hospitality businesses, including the famous Mad Magazine and Hartman Luggage. For the last three years of that period he was president and chief executive officer of the chain’s ‘flagship’, the famous Plaza Hotel in New York City. Unprofitable in the year before his assumption of the hotel’s direction, the Plaza was profitable each year of his tenure until it was sold in February 1975 to Western International Hotels.

This is what he had to say – try to read this approach from the 1970s in the light of the work you have just done on the customer-centred business. You will see many of the antecedents of that approach spelt out in terms of the changes introduced in the Plaza. You will get a feel for what the challenges of change management are in the hospitality industry – and it may even make you smile!

‘One day early in my career there I got a little idea what I was up against with professional staff when, in walking through the lobby, I heard the phone ring at the bell captain’s desk, and no one was answering it. So to give a demonstration to my staff that there was no job too demeaning for me I went over and I picked up the phone and said, “Bell captain’s desk. May I help you?” The voice came on the other end. “Pass it on, Lavenson’s in the Lobby.”

… At the Plaza Hotel, “Think Strawberries” has become the code words for salesmanship. Actually, a team approach to what I consider to be the most exciting profession in the world selling. But hotel salesmanship is salesmanship at its worst. So it is with full knowledge that I was taking the risk of inducing cardiac arrest on the hotel guests if they heard one of our staff say a shocking thing like “Good morning, Sir” or “Please” or “Thank you for coming” or “Please come back”

I decided to try to turn the 1400 Plaza employees into genuine hosts and hostesses who, after all, had invited guests to our house. Secretly, I knew I didn’t mean hosts and hostesses; I meant sales people. But before the staff was able to recognise my voice over the phone, a few calls to the various departments in the hotel showed me how far I had to go. “What’s the difference between your $85 suite and your $125 suite?” I asked the reservationist over the telephone. The answer you guessed it. “Forty dollars.”

Continued
“What’s the entertainment in your Persian Room tonight?” I asked the bell captain.

“Some singer” was his answer.

“A man, or a woman?”, I wanted to know.

“I’m not sure,” he said.

It made me wonder if I’d even be safe going there.

Why was it, I thought, that a staff of a hotel doesn’t act like a family of hosts to the guests who have been invited, after all, to stay at their house? And it didn’t take long after becoming a member of that family myself to find out one of the basic problems. Our 1400 family members didn’t even know each other. With a large staff working over 18 floors, a thousand guest rooms, six restaurants, a nightclub, a theatre, three levels of sub-basement including the kitchen, a carpentry shop, a plumbing shop, an electrical shop, and a full commercial laundry, how would they ever know all the people working there? Who were the guests? Who was just a burglar smiling his way through the hotel while he ripped us off?

I can assure you that in the beginning if he smiled and said “Hello”, he was a crook. He certainly wasn’t one of us. Even the old time Plaza employees who might recognize a face after a couple of years would have no idea of the name connected to that face. It struck me, that if our people who worked with each other every day couldn’t call each other by name, smile at each other’s familiar face, say good morning to each other, how on earth could they be expected to say astonishing things like “Good morning, Mr Jones” to a guest?

A short time after my arrival there, the prestigious Plaza staff were subjected to uncouth blasphemy. The Plaza name tag was born, and it became part of the staff’s uniform. And the first name tag appeared on my own lapel, on the lapel of God Himself. And it’s been on the lapel of every other staff member ever since. Every one, from dishwasher to general manager at the Plaza Hotel, wears his name in large letters where every other employee, and of course, every guest, can see it.

Believe it or not, Plaza people began saying hello to each other by name when they passed in the hall, or in the offices.

At first, of course, our regular guests at the Plaza thought we had lost our cool and we were taking some kind of gigantic convention there. But now the guests are also able to call the bellmen, and the maids, and the room clerks, and the manager, by name. And we began to build an atmosphere of welcome with the most precious commodity in the world, our names and our guests’ names.

When someone calls you by name, and you don’t know his or hers, another funny thing happens. A feeling of discomfort comes over you. If he calls you by your name twice, and you know you’re not world famous, you have to find out his name. And this phenomenon we saw happening with the Plaza staff name tags. When a guest calls a waiter by name, because it’s there to be read, the waiter wants to call the guest by name. Hopefully it will drive the waiter nuts if he doesn’t find out the guest’s name. The waiter will ask the maitre d’. And if the maitre d’ doesn’t know, he can see if they know at the front desk.

Why this urgent sense of mission? What makes calling a guest by name so important? I am now about to tell you a secret which is known only in the hotel industry. The secret is calling a guest by name, it is a big payoff – it is called, and you can write this down if you want, a tip.

At first there was resistance, particularly on the part of the executive staff, to wearing name tags. The old-time hotel managers liked being incognito when wandering around the hotel. It avoided hearing complaints and, of course, if you don’t hear complaints, there are none. Right?

About 500, almost a third of the staff of the Plaza, are Hispanic. That means they speak Spanish. That means they understand Spanish. It also means that they don’t understand English, and they don’t read English. But all our communications to the employees were in English. The employee house magazine, with all those profound management messages, and my picture, were in English.

It seems to me that to say we had a language barrier at the Plaza would be an understatement. Before we could talk about strawberries, we first had to learn Spanish and put our house magazine in both English and Spanish. We started lessons in Spanish for our supervisors, and lessons in English for the staff. It was interesting to me to note that the staff
learned English faster than our supervisors learned Spanish. With 1400 staff members all labelled with their name tags, and understanding why in both Spanish and English, with all of them saying “Good morning”, and smiling at each other, we were ready to make sales people out of them.

There was just one more obstacle we had to overcome before we suggested that they start selling: asking for the order. They had no idea what the product was that they were supposed to be selling. Not only didn’t they know who was playing in the Persian Room and they didn’t know that the Plaza had movies, full-length feature films without commercials, on closed circuit TV in the guest rooms. As a matter of fact, most of them didn’t know what a Plaza room looked like unless they happened to be a maid or a bellman who checked in guests. The reason that registration thought that $40 was the difference between the two suites was because he had never been in one. Of product knowledge, our future salespeople had none, and we had our work cut out for us.

Today, if you ask a Plaza bellman who is playing in the Persian Room, he will tell you, Jack Jones. He will tell you its Jack Jones because he has seen Jack Jones and heard Jack Jones, because in the contract of every performer there is a clause requiring that performer to first play to the staff in the Employees’ Cafeteria, so that all the staff can see him, hear him and meet him. The Plaza staff now sees the star first, before the guests. And if you ask a room clerk or a telephone operator what is on TV closed circuit movie in the guest rooms, they will tell you because they have seen the movies on the TV sets which run the movie continuously in the Staff Cafeteria.

Today, all the room clerks go through a week of orientation which includes spending a night with their husband, or their wife, or just like a guest. They stay in a room in the Plaza. The orientation week includes a week of touring all the guest rooms, a meal in the restaurants and the reservation room clerk gets a chance to actually look out the window of the suite and see the difference between an $85 and a $125 suite, because the $125 suite overlooks beautiful Central Park, and the $85 suite looks up the back of the Avon building.

The Plaza, as you may know, is a dignified institution. It was so dignified that it was considered demeaning to admit that we needed the business, no matter how much money we were losing. And if you didn’t ask us, we wouldn’t ask you. So there! We weren’t ringing our doorbell or anybody else’s. You had to ring ours. And this attitude seemed to be a philosophy shared by the entire organisation, a potentially large sales staff of waiters, room clerks, bellmen, cashiers, doormen, maids, about 600 guest-contact employees.

If you wanted a second drink in the Plaza’s famous Oak Bar, you got it with a simple technique-tripping the waiter, and then pinning him to the floor. You had to ask him. You’d think, wouldn’t you, that it would be easy to change that pattern of Oak Room waiters. After all, they make additional tips on additional drinks. Simple sales training. Right? Right?

I had our general manager for the Oak Room the maitre d’ learn my new policy. It was inspirational. When the guest’s glass is down to one-third full, the waiter is to come up to the table and ask the guest if he’d like a second drink. Complicated, but workable. Couldn’t miss, I thought.

About a month after establishing this revolutionary policy I joined the general manager in the Oak Bar for a drink. I noticed at the next table there were four men all with empty glasses. No waiter was near them. After watching for fifteen minutes my ulcer gave out and I asked the general manager what happened to my second-drink programme? And the manager called over the maitre d’ and asked what happened to the second-drink programme. And the maitre d’ called over to the captain, pointed out the other table and said, “Whatever happened to Lavenson’s second drink programme?” And the captain called over the waiter, and he broke out into a wreath of smiles as he explained that the men at the next table had already had their second drink.

So we started a programme of all our guest contact people, along with all of our salespeople, using a new secret oath “everybody sells”. And we meant everybody – maids, cashiers, waiters, bellmen, assistant manager, general manager, and me – everybody!

We talked to the maids about suggesting room service, to the doormen about suggesting our restaurants, not the one...
at the Pierre, to our cashiers about suggesting return reservations to the parting guests. And we talked to the waiters about strawberries.

Now I don’t know how it is in Chicago, but in New York the waiter at the Plaza makes anywhere from $12,000 to $20,000 a year. The difference between those figures, of course, is tips. I spent 18 years in the advertising agency business, and I thought I was fast computing 15 per cent. I am a moron compared to a waiter.

Our suggestion for selling strawberries fell on very responsive ears when we described that part of our Everybody Sells Programme to the waiters in our Oyster Bar Restaurant. We had a smart controller, and he figured out that if with just the same number of customers already patronising the Oyster Bar the waiters would ask every customer if he’d like the second drink, wine or beer, with his meal, and then dessert given only one out of four takers we would increase the Oyster Bar Restaurant sales by $364,000 a year.

The waiters were well ahead of this lecture. They had already figured out that was $50,000 more in tips, and since there are 10 waiters in the Oyster Bar, I, with the aid of a pocket calculator, could figure out that that meant five grand more in tips per waiter. And it was at this point that I had my toughest decision to make since I’d been in the job, which was whether to stay on as president, or become a waiter in the Oyster Bar. But while the waiters appreciated this automatic raise in theory, they were very quick to point out the negative: “Nobody eats dessert any more,” they said, “everybody is on a diet. If we served our specially, the Plaza chocolate cheesecake to everybody in the restaurant, we’d be out of business because they’d all be dead in a week.” “So sell them strawberries,” we said, “but sell them!”

Then we wheeled out our answer to the gasoline shortage. It is called a dessert cart. It has wheels. And we widened the aisles between the tables so that the waiters could wheel the cart right up to each table at dessert time without being asked. And not daunted by the diet protestations of the average guest, the waiter goes into raptures about the bowl of fresh strawberries on the top of the cart. There is even a bowl of whipped cream for the slightly wicked. And by the time the waiter finishes extolling the virtues of luscious strawberries, flown in that morning from California or Florida or wherever he thinks strawberries come from you, the guest, not only have an abdominal orgasm, but one out of two of you orders them.

We showed the waiters every week what happened with strawberry sales. The month I left the Plaza they doubled again, and so had the sales, incidentally, of second martinis. And believe me, when you have a customer for a second martini, you have a sitting duck for a strawberry sale, and that is with whipped cream. The Plaza waiters now ask for the order. They no longer stare at your waistline and say, “You don’t look like you need dessert.”

“Think Strawberries” is becoming the Plaza’s sales password. The reservationist thinks strawberries and suggests that perhaps you would like a suite overlooking Central Park rather than a twin-bedded room. Bellmen are thinking strawberries. Each bellman has return reservation forms with his own name imprinted on them as the addressee, and he asks you, in checking you out and into your cab, can he make a return reservation for you?

The room service operators were thinking strawberries. They ask you if you’d like to watch the closed circuit TV film in your room as long as you’re going to be there. No trouble, “We put three bucks on your bill and you never notice it compared with the price of the sandwich”. Our telephone operators think strawberries. When you leave a wake up call, they suggest a Flying Tray Breakfast sent up to your room. “You want the light breakfast, no ham and eggs; how about strawberries?”

We figured we added about 400 salesmen to the three-man sales staff we had before. Additional salesmen, at no extra expense, didn’t exactly thrill my Board of Directors. But I will tell you what did tickle their fancy. The Plaza sales volume my last year there went from $27 million to a nice round $30 million. And our controller was seen giggling in his cage where we kept him, since our profits were double the year before’s.

I’ll tell you what pleased me most. The Plaza sold $250,000 worth of strawberries in the last six months alone – $250,000 worth of strawberries!

We created the Order of the Strawberry Patch. It’s a little strawberry insignia worn on the employee’s name tag, and
any staff member, except those, naturally, in the Sale Department, who gives the sales manager at the Plaza a lead, just a lead, for rooms, or banquet business, gets to wear the little strawberry patch. He has joined the sales staff. And if that lead is converted into a sale, a savings bond is given to the person who suggested it.

Let me tell you what happened with that strawberry patch programme. There’s a captain in the Oak Room, his name is Curt, and he likes savings bonds. He also has a wild imagination, and he imagined that if a Plaza salesman would call on his wife’s friend’s daughter, who was getting married, the wedding could be booked at the Plaza.

Obviously he was insane! The Oak Room captain’s wife’s friend’s daughter, who lived in Brooklyn, with a wedding at the famous Plaza. The Plaza salesman was persuaded to call the lady in Brooklyn. At first he didn’t want to go. But he was given a powerful incentive like keeping his job. And, of course, you can guess the result, or, can you? Would you believe a $12,000 wedding?

And that’s not all. Just before I left the Plaza, Curt told me that his wife’s friend’s daughter had a sister, not yet married. I believe I mentioned there’s a laundry in the Plaza. Thirty ladies work in that laundry, three levels below the street. When they are working, these ladies don’t exactly remind you of fashion models. They wear short white socks and sneakers, no make-up, and I suspect, although I have never been able to prove it, that three of them chew tobacco.

You can imagine the scepticism which greeted one of those ladies when she asked if she could earn a strawberry patch for a lead on a luncheon of her church group. How many members? Only 500! At least 500 showed up for lunch at the Plaza dressed to the heavens and paying cash. That laundry lady is papering her walls with savings bonds.

An Oak Room captain, and a laundry lady, like hundreds of other Plaza staff members, they wear the strawberry patch on their name tag.'

Thank you for reading through this – it is an account of an experience which still carries value into the globalised industry we work in today.


Questions

1. How do you feel when you are making a purchase and the company you are dealing with know your name?
2. Do you think empowerment can really be introduced throughout a company?
3. Is the time it takes to build a relationship with a customer worth it?
4. Do you agree that if customers do not say anything to the staff there cannot be any problems?

GLOSSARY

Consumer relation marketing  Processes designed to maintain a long-term relationship with customers and develop a deeper commitment with your offer. This often involves two-way communications as the customers can express opinions and attitudes that businesses can use to tailor the development of their business to ensure that they maximise customer satisfaction.
**Customer attraction**  The processes involved in bringing your hospitality offer to the market and gaining the interest and action of potential customers.

**Customer-centred business**  The business model that places the customer, knowledge about the customer and an ongoing relationship with the customer at the heart of all the business planning decisions.

**Customer perceived value**  The calculation made by customers after experiencing your offer and judging it against the price charged.

**Customer retention**  The business processes involved in ensuring that customers return to the business or place it high in their list of recommendations to others.

**Customer satisfaction**  What happens when your offer meets the needs – expressed and emergent – of your customers. Best established through both quantitative and qualitative approaches to ensure that you find out what your customers actually thought about the experience and the elements within the experience.