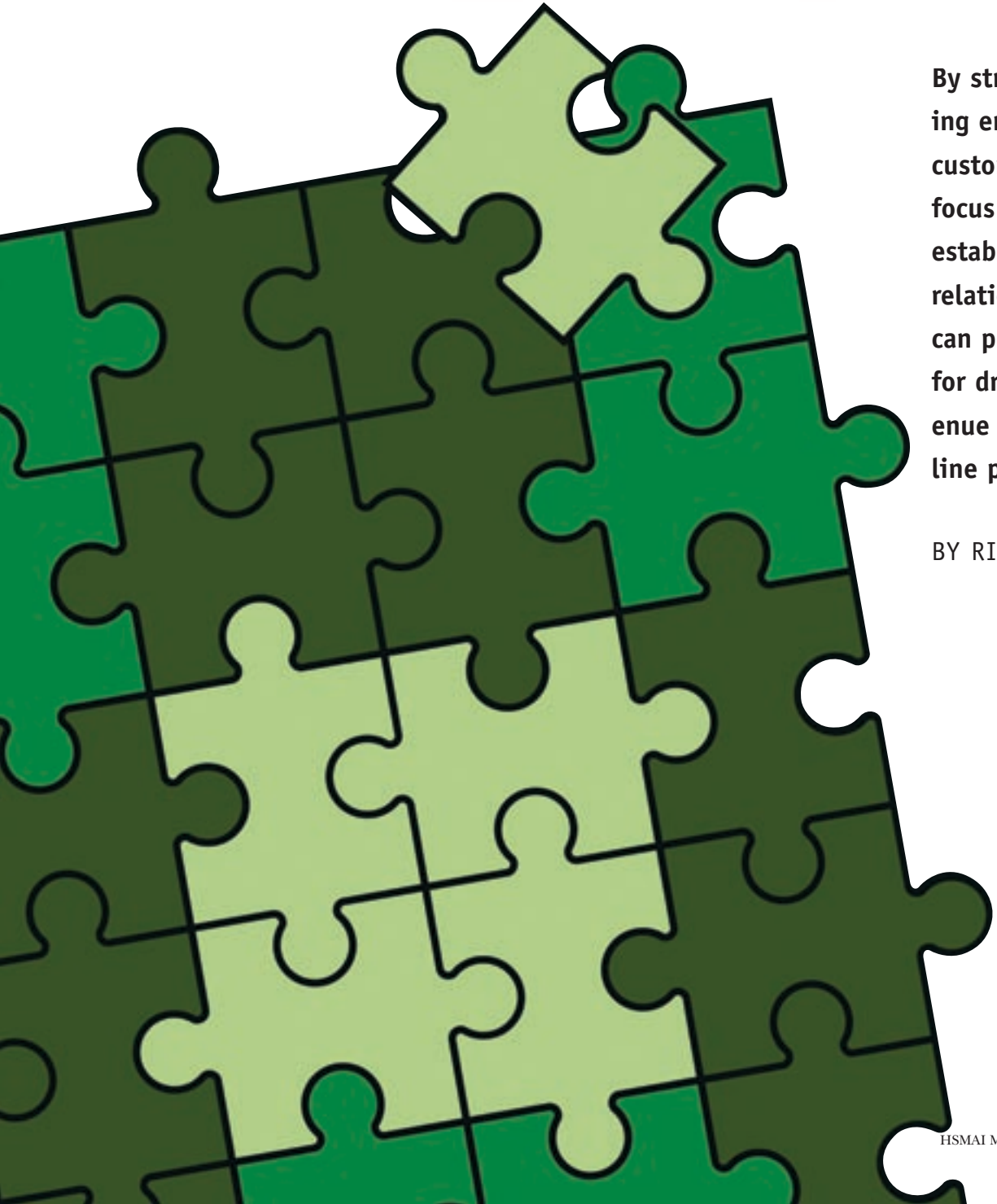


# Strategically Integr



By strategically integrating employee data and customer data with a focus on what it takes to establish loyal customer relationships, research can provide the formula for driving top-line revenue growth and bottom-line profitability.

BY RICK GARLICK, Ph.D.

# ating the Pieces:

## Using Research to Drive Hotel Growth

Companies that research the hospitality industry are facing a significant evolutionary process. Most of the prominent hotel chains employ market research companies to conduct large customer satisfaction studies. For the most part, these research companies have offered efficient collection of data, as well as timely and accurate reporting as their primary value propositions. However, operational excellence is now considered to be a basic expectation, rather than a value proposition. Since these customer satisfaction studies tend to be quite expensive, hospitality executives now require a tangible return on their research investments. They not only want to know how they performed, but also how they can improve performance, and most importantly, how they can impact the bottom line. They want research to add value to their organizations. Instead of merely asking, "how did we do?" clients are asking questions such as...

- How can we generate greater RevPAR?
- In the midst of an economic downturn, how can we continue to capture a larger market share?
- How do we generate loyalty for our hotel chain as the brand of choice?
- How can individual properties differentiate themselves from similarly priced competitors?
- How can we best prioritize our investments in marketing, equipment, facilities, and people?
- Who are our most valuable customers and how can we retain/acquire more just like them?

- What product and service standards drive the greatest degree of brand loyalty?
- How can we hire and retain talented employees?
- Where should we emphasize our training efforts?

If improving stakeholder value is the ultimate goal of a research and consulting endeavor, then suppliers must focus their efforts on answering these kinds of questions since they represent issues related to growth. Research consultants must help their clients go beyond simply searching for sources of dissatisfaction to understanding the potential areas of positive differentiation between themselves and competitors. In helping clients find ways to grow profits and earnings, researchers have the opportunity to add value as 'evidence-based consultants' rather than as mere data collectors and reporters.

### Management Tools not Report Cards

Customer satisfaction studies, in particular, are often underutilized as management tools. While customer satisfaction scores are usually reported at the property level, managers too often find these report cards to be meaningless. Managers are provided with a lot of numbers that rarely move between measurement periods. It is difficult to recognize whether or not a fluctuation in the numbers is truly meaningful. Hotel executives neither know how to interpret or act upon the data. An effective remedy is to determine which items best link to important business outcomes. It is always preferable to establish statistical linkage between attitudinal measures and direct business out-

comes such as increased market share, better per person productivity, decreased employee turnover, and greater guest return behavior. If this direct linkage process is not possible, an alternative is to use an attitudinal measure that directly reflects behavioral intention, such as likelihood to return to, or recommend, a hotel. This approach is superior to focusing only on satisfaction levels since increasing customer satisfaction scores may come at the expense of company profits. By identifying those items that best predict loyalty, advocacy, profitability, etc., managers can focus on things that most directly affect profitable growth. Many tactical items that provide very little differentiation among growing, successful properties and those that are less successful can be removed from the survey.

Once priority areas are established, research consultants should ensure that every item in the survey has an actual and relevant impact on business outcomes. Furthermore, all items should be directly actionable. There is little or no benefit in gathering information unless there is the potential for implementing a meaningful improvement strategy. For example, if a property were not planning any capital renovations for some time, consistently asking about the size of the room or the hotel décor would not be particularly useful to the general manager of the hotel.

In summary, the research process should focus on:

- areas that differentiate the most successful hotel properties from those that are less successful;

- areas that are directly related to profitable growth;
- areas that can be meaningfully impacted.

**Service as a Key Differentiator**

Given the previously described objectives, it is important to examine the things that produce a loyal customer. While a case can be made that a superior product can drive customer loyalty, the truth is that many hotel product offerings are quite similar. Within the hotel industry, competitive chains offer properties of similar quality within the same general geographic areas. In many cases, the only competitive advantage is based on price.

Hotel offerings have two basic components: the guest room and facilities (product) and the service provided by the hotel’s employees. One case study found that, when guest rooms were rated as ‘better’ than those offered by competitive hotel properties, guests were 35 percent more likely to return than in instances when rooms were rated as being ‘the same.’ However, when staff service was rated “better” than competitors, guests were 87 percent more likely to return than when service was rated “the same.”

In many industries, customer service is reactive, rather than proactive. A typical quality assurance approach is to identify problems and react quickly to fix them. There is certain conventional wisdom, often supported by data, to suggest that a strong service recovery process, following the occurrence of a problem, can actually strengthen customer loyalty. Problems are seen as opportunities to engender loyalty beyond what it might have been had a problem never occurred.

What is often not measured is the degree to which a positive relationship has been established before a problem takes place. The organizations that do the best job of recovering from a problem *after* it occurs are often the organizations that do the best job of establishing positive customer relationships *before* problems occur. Across several hotel studies involving both transient guests and meeting planners, data consistently show that the best formula for engendering customer loyalty is great up-front customer service accompanied by a strong

service recovery process. When great up-front service is missing, even the best service recovery efforts cannot fully win back customer loyalty. Hotels need to begin building relationships with guests from the time they first walk through the door, rather than waiting until some type of problem occurs.

This type of proactive service orientation is not something that results from compliance to quality initiatives. The kind of employee-customer interaction that differentiates one competitor as being better than another is the result of having a fully engaged workforce. Engaged employees are those who go out of their way to serve customers because they are fully aligned with the values and mission of their employers. These employees support their company’s brand values, are well trained to deliver the brand promise, are recognized for their efforts, have positive relationships with their co-workers, and consistently get to use their best talents on the job.

In order to generate this type of proactive service, hotel employees must think of themselves as being in the hospitality business, rather than focusing strictly on the operational aspects of the hotel. When the focus is on service, rather than operations, the difference is noticeable to customers. A prime illustration is Southwest Airlines, which differentiates itself from other operations-focused airlines by aligning all of their employees with their service mission. Southwest was the only profitable airline in 2001, even though it is a budget carrier and offers few amenities to the traveler. The hotel does not have to be a full-service property in order to offer a distinctive service experience for the guest.

Researchers rarely see themselves as human resource consultants. However, it is virtually impossible to effect meaningful change unless the people component is considered. Understanding the science and art of people and potential is necessary for any type of meaningful performance improvement to occur. Re-orienting the mindset of the employees, from the general manager all the way to the house-keeping staff, is not easy, but is much more actionable and cost effective than

trying to somehow make adjustments to the physical hotel property.

**Integrating the Pieces**

“Best in class” research consultants must provide business solutions by using a wide variety of research and consulting tools. Tracking customer satisfaction, employee engagement, or brand image will not yield significant benefit unless their collective relationship is properly understood. One must understand how all of the pieces work together to produce growth and profitability for an organization. Strong brands are created through the acquisition and retention of loyal customers. Loyal customer relationships are developed through having an engaged work force that is completely aligned with the brand promise and mission of the organization. Managers must gain meaningful information from data that helps them maximize their employee and customer relationships. The ability to effectively utilize a diverse tool kit makes all of the difference between a research consultant who can drive company profitability compared to one who accumulates large costs to an organization with little to show in return.

Organizations frequently miss the opportunity to multiply the return on their investment because the data offers no guidance for driving meaningful business outcomes. By strategically integrating employee data and customer data with a focus on what it takes to establish loyal customer relationships, research can provide the formula for driving top-line revenue growth and bottom line profitability. Researchers can assist this process by studying individual properties within a hotel chain where success has occurred consistently. By studying best practices within an organization, the protests of “that won’t work here” or “I can’t do that” can be effectively alleviated.

Perhaps it is time for hospitality providers to expect more from their research suppliers. The time has come for the voice of the customers and the voice of the employees to provide the facts upon which to base improvement interventions. The era of the ‘data collector’ has given way to the era of the “evidence-based consultant.” ■