Customer-oriented hotel aesthetics: A shareholder value perspective

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Abstract

This paper adopts a customer-oriented approach rather than a product-centric approach. It seeks to demonstrate how a customer-oriented hotel aesthetics approach can enhance shareholder value. The paper provides a variety of useful conceptual frameworks to show architects, interior designers and hoteliers how hotel aesthetics could be better aligned with corporate and business-level strategy. Kaplan and Norton's strategy map is used to illustrate how design (innovation) is only one of the key internal processes. The paper concludes with implications for practitioners and academic study.

Keywords:

hotel design, customer relationship management, strategy map, shareholder value

INTRODUCTION

With room rates not expected to return to growth until 2004 and average room rate (ARR) growth of 2.6 per cent, 2.5 per cent and 3.4 per cent forecast for the UK, London and the provinces respectively,¹ one would expect consumers to be looking for bargains and being less concerned with hotel amenities. The burgeoning performance of the budget hotel sector, such as Travel Inn reporting a 6.1 per cent increase in like-for-like sales, occupancy of 82.4 per cent, ARR of £39.98 and an increase in operating profit of 10.8 per cent in Whitbread's 2002–2003 annual results, illustrates the resilience of the budget sector.

In fact, some hoteliers may think that they should respond with lower prices, plain products and services, but intense competition together with a slow economy may drive down prices and raise

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The seven Ps of marketing

expectations.² In his book *Loyalty Rules!*,³ Reichheld convincingly demonstrates that the more volatility the economy serves up, the more loyalty plays in building effective, long-term, profitable relationships. Rigby *et al.*⁴ assert that successful customer relationship management (CRM) depends more on strategy than on the amount spent on technology. They believe that the only way to make CRM work is by taking the time to calculate customer strategy and to align business practices before implementing technology.

This paper asserts that instead of solely focusing on the issues of 'design and location', which are components of the four parts of the marketing mix (product, place, promotion and price), the architects, interior designers and hoteliers must work together more holistically. Marketing has moved from being product centric to customer centric and should now include a focus on another three Ps, people, processes and physical evidence.⁵ The 'people' covers all the people involved in the hotel transaction: the customer, the employee, management etc. 'Physical evidence' is the hotel layout and decor, staff uniforms, the corporate logo, and all the tangible things that influence how customers feel about the company. The 'process' incorporates how the customer interacts with the hotel.

Customer loyalty

Full-feature hotels now need to look beyond customer satisfaction of their respective target markets and implement appropriate customer loyalty strategies. Trying to build strong relationships with all types of customers is not the most effective response. It is more important to build and maintain the right level of relationships with the right customers. Moreover, in times of economic slowdown, responses by organisations may in some cases appear antithetical. For example, some food retailers like McDonalds have introduced 'premium products' during the current contraction of consumer demand.

Hotel companies today face an aesthetic imperative if they seek to achieve sustainable competitive advantage. This paper will consider the importance of customer satisfaction and customer loyalty, then focus on how hotel companies could use a customer-oriented approach to address the aesthetic challenge. Kaplan and Norton's⁶ strategy map is used to illustrate how design (innovation) can be aligned with the other key internal processes. The paper concludes with implications for practitioners and academic study.

CUSTOMER SATISFACTION AND CUSTOMER LOYALTY

Customer satisfaction is one of the key hotel balanced scorecard metrics for measuring the customer perspective.⁷ But one of the problems associated with measuring satisfaction relates to expectations. Oliver⁸ found that consumers can be reasonably satisfied despite a service experience not fulfilling their initial expectations. Hoteliers should therefore interpret satisfaction as a snapshot of customer experience, not as a long-term indicator of repurchase or referral intentions.⁹ Thus, as satisfaction may not

What really matters?

necessarily predict a consumer repurchase intention, measuring, improving and tracking customer loyalty should enhance shareholder value.

According to Kotler,¹⁰ customer loyalty appears to constitute a key strategic objective during strategic marketing planning and represents an important basis for developing competitive sustainable advantage.¹¹ Consequently, the term ‘loyalty’ has been addressed in many ways, and different authors have argued that there are many reasons why customers maintain a relationship with service providers.¹² In the case of what loyalty is, one may argue that customer loyalty is the process of building purchase activity with the buyers. Oliver¹³ advocates customer loyalty as ‘a deeply held commitment to re-buy or re-patronise a preferred product or service constantly in the future, despite situational influences and marketing efforts having the potential to cause switching behaviour’. This suggests that customers must recognise a hotel as better than its competitors and have to like the hotel more than its competitors. Oliver’s definition also implies that a customer must have an intention to keep on using the hotel in the future, rebuying or repatronising. Aufreiter *et al.*,¹⁴ in their ‘better branding’ article, posed the question ‘What really matters?’ Interestingly, they test their proposition using hotel groups, by showing that the most successful brands emphasise features that are both relevant to consumers and differentiated from competitors.

Figure 1 uses the axis of relevance and differentiation to depict how some hotel groups emphasise their brands. According to Aufreiter *et al.*,¹⁵ Holiday Inn Express, Westin Hotels and Resorts and Four Seasons use the following brand drivers.

- Holiday Inn Express: provides customers with the emotional benefit of feeling like a ‘smarter business traveller’ and attempts to convey a brand personality that is ‘fun, even a bit wacky’.
- Westin Hotels and Resorts: attempts to differentiate itself from Hilton, Marriott and Sheraton by claiming to offer ‘serenity and efficiency’.

High	Antes	Drivers
	Features that are important to consumers but are provided by all competitors at similar levels	Features that are both important to consumers and highly differentiated from those of competitors
Low	Neutrals	Fool’s gold
	Features that are irrelevant to consumers	Features that are distinctive but do not drive the consumers’ loyalty to the brand
	Low	High
	Differentiation	

Figure 1: How hotel groups emphasise their brands

- Four Seasons: attempts to distinguish itself by providing an ‘escape from the ordinary’ and a personality of ‘calm sophistication’.

In addition to brand ‘antes’ and ‘drivers’, cost-effective delivery is a crucial issue. Brands are delivered at a variety of touchpoints, such as reservations, check-in and check-out, frequent-stay programmes, room service, business services, exercise facilities, laundry service, restaurants and bars. All these touchpoints provide strategic opportunities for architects and interior designers working in tandem with hotel marketers to deliver shareholder value.

Relevance and differentiation

CUSTOMER-ORIENTED HOTEL AESTHETICS

Notwithstanding the importance of operational activity, this paper asserts that hotel aesthetics should align with corporate and strategic-business-unit-level strategy. The first step in developing a strategic perspective is to develop a vision. According to Collins,¹⁶ a vision is simply a combination of three basic elements:

- an organisation’s fundamental reason for existence, eg its core purpose
- its timeless unchanging core values
- huge and audacious — but ultimately achievable — aspirations for the future.

Drivers of customer value

In terms of aspiration, hotel companies should focus on specific drivers of customer value. It is no good being all things to all customers. The influential work of Treacy and Wiersema¹⁷ postulated that organisations have three choices to achieve differentiation in the marketplace:

- operational excellence (best total cost)
- product leadership (best product)
- customer intimacy (best total solution).

Market-leading hotel companies should excel at one of the above three dimensions, while maintaining threshold standards in the other two. This paper asserts that hotel aesthetics should reflect the value proposition for each target market, which should also shape organisational decision making, IT, control systems and culture.

The movement to relationship marketing encompasses an entirely new set of concerns that are not as easily identified or measured. Hotel groups can proceed by simply making their databases more rigorous, websites more user friendly and securing ever more expensive technology for tracking and measuring customer responses. Within the hotel sector, however, marketing now has to embrace cross-functional processes which will ultimately enhance customer relationships. It must be borne in mind that simply

Impact on functional processes

Effectiveness of capital expenditure

following the Holy Grail of greater understanding of customers and offering mechanical solutions for gaining that understanding will not lead to effective relationship marketing.

Building and successfully managing strong brands is considered to be one of the key drivers of success in the hotel industry.¹⁸ Yet it would appear that hotel groups are not deriving the maximum benefits from investing in their brand. According to a capital expenditure study by Phillips,¹⁹ some hotel companies are spending up to 15 per cent of hotel-owned and lease turnover by investing in the hotel brand. But given the absence of any hotel group in *Business Week*'s top 100 brands, it would appear that quoted hotel companies do not market their product effectively. It could be that 43 years since Theodore Levitt²⁰ first introduced the term 'marketing myopia', hotel marketing eyesight has not got much better. At the heart of the issue is focus: hotel marketing should focus not on just the product but also on the customer need. Way back in 1960, Levitt, writing in the *Harvard Business Review*, argued that too many businesses are afflicted with marketing myopia and that one needs to view the world through the eyes of the customer.

Moreover, Phillips²¹ has highlighted the prime areas for customer orientation in today's business environment. He asserts that the marketing process basically involves understanding and segmenting the market, establishing a market position, analysing customer needs and preferences, producing a marketing plan and evaluating inputs with outputs. In the early period of the internet the most visible aspect of this process was brand building. This took the form of marketing promotion via advertising communications, public relations, information dissemination and customer 'awakening'. Unfortunately, it has become evident that true customer orientation requires a much deeper organisational starting point. Organisations need to coordinate business processes around the customer and to develop systematic ways of adopting, monitoring and improving online customer relationship building and purchasing behaviour.

There is growing evidence that good design produces economic and social benefit in the areas of healthcare, educational environments, housing, civic pride and cultural activity, business and crime prevention.²² A MORI commissioned poll found that investment in good design generates economic and social value. Across all the various sectors 'the message is the same — when we invest in the built environment, we must consider the impact of design throughout the lifetime of the buildings, on the places in which they are located and on all stakeholders involved'. The findings of the Commission for Architecture and the Built Environment study suggest that, in addition to the design-versus-location debate, broader issues should be the focus of attention, with consideration of the creation of economic and social value and stakeholders.

STRATEGY MAPS

Alignment of strategy

According to Kaplan and Norton,²³ organisations operating in today's business environment need both tools for communicating their strategy and processes and systems that will help them implement that strategy. A strategy map could be used to depict the corporate value proposition, which will assist architects, interior designers and owners. The strategy map has been advocated by Kaplan and Norton as a tool that enables alignment of strategy from senior management to operational-level staff. Strategy maps provide a way of highlighting how corporate, business and department levels can operate in a coordinated, collaborative fashion towards the company's desired goals. They provide a visual representation of a company's critical objectives and the crucial processes. A strategy map can be used to specify the critical elements and their linkages for an organisation's strategy,²⁴ which in a hotel context can assess the key relationships among product, place, promotion, price, people, processes and physical evidence.

The strategy map is usually depicted as a two-dimensional perspective of the operations (functions) and strategy of an organisation. Financial objectives, being the final goal within a commercial firm, are at the top of the strategy map, with the strategic objectives of customer perspective, internal business process and learning and growth connected by arrows indicating cause-and-effect analysis.

Figure 2: Hotel strategy map

Impact on internal processes

Figure 2 shows how a hotel company could create ‘customer-derived value’ by aligning assets and activities with the customer value proposition. It can be seen that the strategy map can align tangible and intangible assets with the strategy. There are four key internal processes: operation management, customer management, innovation and regulatory and social processes. Hotel aesthetics (innovation) is only one of the key four pillars in the internal perspective. Critically, the hotel design process must fuse with the other salient internal processes, with emphasis on customer management processes, which include customer selection, acquisition, retention and growth.

The process of strategy mapping is not easy, as it forces contentious issues like hotel design and its alignment with the customer value proposition on to the table. Nevertheless, by discussing the open issues, it can force a change in logic which could lead to a move away from being solely product centric to the incorporation of a customer-centric approach.

CONCLUSION AND MANAGERIAL IMPLICATIONS

Hotel design is clearly a key attribute for a successful hotel, but the extent has not been the subject of much academic research.

Gillespie and Morrison²⁵ noted the paucity of academic research investigating the relationship of hotel product design and style elements with systems of market communication. They concluded that there is a need to reinforce the argument for a better understanding of the entire language of design and style in hotels, as elite hoteliers seek to maximise return on investment. Using the strategy map, this paper provides a conceptual framework to show how a customer-oriented hotel aesthetics approach could enhance shareholder value.

Architects and interior designers should work with key stakeholders more holistically. From a customer loyalty perspective, topics such as reputation, quality, switching costs, trust and commitment should be blended into the design process. Aufreiter *et al.*'s²⁶ two-by-two relevance and differentiation matrix provides a useful framework for the hotel company to ensure that the design process does not lead to features which could be viewed by guests as ‘neutrals’ and/or ‘fool’s gold’.

Brand standardisation remains appealing, but given the lack of hotel companies in the top 100 brands, customers appear tired of the ‘cookie cutter’ hotel room. Design is a key component of strategic processes, but it must fuse with the other salient internal processes as depicted in the strategy map. Good hotel design is essential and can enrich the guest experience, but synergistic benefits accrue when coupled with effective customer management processes. Good design goes beyond aesthetic improvements of the environment, and is as much about improved quality of life (employees) and economic growth (shareholder value).

Interestingly, there is growing evidence that good design produces

Relationships between hotel design, style and return on investment

Design is only part of aesthetic improvement

economic and social benefit in some commercial areas, but there is an urgent need for researchers to investigate hotels. To turn hotel aesthetics into an opportunity, hard-nosed architects and interior designers, hotel developers and researchers must study what the guest values about look and feel — not solely prestige but enjoyment, not conspicuous consumption but personal meaning. The marketing and strategy literatures have a plethora of tools and techniques to help practitioners better understand the guest and obtain sustained competitive advantage. This now needs to be empirically tested in richer qualitative and quantitative studies. This provides the potential for meaningful public-private partnerships to perform research studies that are academically robust but are of significance to the practitioner.

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