

The Practice of Relationship Marketing in Hotels

Hanaa Osman

**A thesis submitted in partial fulfillment
of the requirement of Oxford Brookes University
for the Degree of Doctor of Philosophy**

July 2001

Abstract

In relationship marketing most research has focused on the desired outcome without paying much attention to its essential constituents. In acknowledgment, this research explored the key dimensions necessary for the implementation of a relationship marketing strategy. A number of key dimensions of relationship marketing were identified in this research, amongst which are market segmentation, organisational memory, organisational culture, role model, relationship management, service customisation, trust and commitment.

This research employed a qualitative case study approach in order to explore the activities involved in the implementation of relationship marketing in hotel groups and to gain a better understanding of the approaches taken by hotels to build, develop and maintain long term customer relationships. The issues underpinning this research were investigated in a mid-market hotel company located in the United Kingdom with softer and harder brand hotel groups. Multiple research methods included participant and non-participant observations, in-depth qualitative interviews with hotel managers and the company's marketing director and qualitative interviews with a number of the company's customers to ensure reliability of the data collected.

The data gathered from the research methods was analysed using ethnographic techniques. Key findings from this research indicated that a relationship marketing strategy depends on an organisational culture that is relationship orientated, an organisational memory that involves a database system and staff memory, service customisation, managers as role models, trust and commitment. However, customer

loyalty and relationship marketing are not necessarily linked as a transactional approach to marketing can also achieve high brand loyalty, if products are differentiated. Customers can have an emotional tie with a hotel brand without the implementation of an interactive approach. Furthermore, in the case of a softer brand hotel group, customers tend to develop a stronger relationship with the individual hotels than with the brand as opposed to in a harder brand hotel group where customers develop a stronger relationship with the brand than with the individual hotel units.

To conclude, this research suggests that a transactional approach to marketing can be equally effective in achieving high brand loyalty and that relationship marketing should only be directed to current and potential profitable customers.

Dedication

To my dearest parents who supported and believed in me throughout the long years of this research, with love.

Acknowledgement

Over the years, I have been fortunate to work with my director of study Professor Nigel Hemmington, Head of School of Service Industries, Bournemouth University. Nigel was a great support during the course of this study with his breadth of expertise and knowledge. He not only supervised this work but also encouraged me through good and bad times. Despite many other responsibilities he was always willing to help me at short notice. I am also very grateful to my supervisor David Bowie for his guidance and continuous support, particularly for the additional time he gave me when Nigel took up a new position at Bournemouth University. His helpful comments and discussions kept me heading in the right direction. David has always been there for me even during the most difficult times of this research, without his support this work would not have been made possible. Many thanks to my external supervisor Professor Francis Buttle, Manchester University, for his constructive critique. His valuable comments towards the end of this research enabled me to improve my understanding of it. I would also like to thank Professor Tony Seaton, Luton University, for his support during the first year of this research.

I am grateful to Dr. Angela Roper, Research Director, Oxford Brookes University, whose academic and moral support saw me through the tough times, especially towards the end of this research.

Many thanks to Professor Peter Harris, Grant Clendining, Ian Mitchell, Donald Sloan, Angela Maher, Maureen Brookes, Peter Sandiford and Pamela Taylor for their help in producing this research. I am also grateful to the staff of the School of Hotel and Restaurant Management, Oxford Brookes University, particularly Ceri Butcher, Denise Green, Sue Milner and Denise Whittington for patiently coping with me throughout the years of this research.

I would like to thank Stuart Harrison, former Managing Director of the company where this research took place, for facilitating my initial access to the company. Many thanks to Roy Tutty, the current Managing Director for giving me the opportunity to carry out my research at the company during its transition period. Also, I would like to thank Emma Tame, a former Marketing Director for her time and help. Many thanks to all the hotel managers and all other participants for contributing to this work.

I would like to thank my friends in various parts of the world for being there for me and encouraging me to never give up. Without their continuous support this research journey would have been much more difficult. Also, many thanks to all my colleagues at the research suite for the great times we shared.

I am grateful to the Egyptian Government for funding this research and to the School of Tourism and Hotel Management in Cairo for allowing me to complete this work.

Finally, I would like to express my gratitude to my family for their patience and encouragement through those long years and for never giving up in believing in my capabilities.

Table of Contents

Abstract	ii
Dedication.....	iv
Acknowledgement.....	v
1 Chapter One: Introduction	2
1.1 Rationale.....	2
1.2 The scope of the study	5
1.3 Research questions	5
1.4 Research objectives	6
1.5 Research structure	6
2 Chapter Two: Theory and Practice of Relationship Marketing	8
2.1 Introduction	8
2.2 The shift to relationship marketing.....	8
2.2.1 A relational approach to marketing versus a transactional approach.....	11
2.3 Reasons behind the growth of the relational approach to marketing.....	13
2.4 The evolution of relationship marketing.....	15
2.4.1 The nature of relationships	15
2.4.2 The evolution of business relationships.....	15
2.4.3 The introduction of relationship marketing	17
2.5 The purpose of relationship marketing	18
2.6 The identity of relationship marketing	19
2.6.1 Definitions of relationship marketing	20
2.7 The levels of customer relationships	23
2.8 Theoretical inputs of relationship marketing	27
2.8.1 A resource oriented strategy	28
2.8.2 Organisational memory	29
2.8.3 Part-time marketers	32
2.8.4 The integration between the seller and the buyer	33
2.9 Conclusion.....	35
3 Chapter Three: Implementing Relationship Marketing.....	36
3.1 Introduction	36
3.2 Key dimensions of relationship marketing	36
3.2.1 Market segmentation	36
3.2.2 Additional models of segmentation	40
3.2.3 The interaction approach	45
3.2.4 Value creation.....	47
3.2.5 Interdepartmental relationships	49
3.2.6 Trust and commitment.....	53
3.3 Practice in industry.....	55
3.4 Analysing customers' relationships.....	60
3.4.1 Profitable customers and life time value	64
3.5 Brand loyalty	68
3.6 Conclusion.....	71
4 Chapter Four: Research Methodology	73
4.1 Introduction	73
4.2 Research philosophy.....	73
4.3 Selecting an approach.....	75
4.3.1 Employing ethnographic techniques.....	76
4.4 Designing the case study	77
4.4.1 Conceptual framework	78
4.4.2 Formulating research questions	80
4.4.3 Gaining access and sampling strategy:.....	81

4.5	Methods and instruments for data collection.....	83
4.5.1	The company's own research	85
4.5.2	Observation	86
4.5.3	Dimensions of descriptive observation.....	88
4.5.4	Planning and preparing for qualitative interviewing	90
4.5.5	Qualitative semi-structured interviews with the company's customers.....	93
4.5.6	In-depth qualitative interview with the company's marketing director	94
4.6	Pilot study.....	95
4.6.1	Purposive sampling	95
4.6.2	Purpose and techniques of the pilot study	95
4.7	Data handling and analysis	97
4.7.1	An ethnographic analytical technique	98
4.8	The research ethics	100
4.9	Problems and other issues in conducting the primary research	101
4.9.1	Gaining access.....	101
4.9.2	Other issues in conducting observation.....	102
4.10	Conclusion.....	103
5	Chapter Five: The Practice of Relationship Marketing in Hotels.....	105
5.1	Introduction	105
5.2	Setting the scene.....	106
5.3	The company's loyalty programme	107
5.4	Relationship marketing practices in the sample hotel groups.....	109
5.4.1	Stage one: the softer brand hotel group (ABC)	110
5.4.2	Contrasts between hotels in ABC group.....	124
5.4.3	Stage two: the harder brand hotel group (DE).....	127
5.5	Hotel managers' perspectives.....	137
5.5.1	Customer relationships	137
5.5.2	Familiarity with the term 'Relationship Marketing'	142
5.5.3	The advantages of relationship marketing as seen by hotels' managers.....	145
5.5.4	Disadvantages of relationship marketing as seen by hotels' managers	147
5.6	Market Segmentation	148
5.6.1	Approaches to customers.....	151
5.7	Findings from customer research	157
5.7.1	Reasons for choice.....	157
5.7.2	Purpose of stay	159
5.7.3	Volume and frequency	159
5.7.4	Customer relationships	160
5.7.5	Customer loyalty programme	162
5.7.6	Customers' expectations.....	165
5.7.7	Suggestions for improvements	168
5.8	The head office perception	169
5.8.1	Customer relationships	169
5.8.2	Lifetime value.....	173
5.8.3	Market segmentation	174
5.8.4	Database	176
5.9	Conclusion.....	179
6	Chapter Six: Discussion.....	181
6.1	Introduction	181
6.2	The customer's side of the relationship	181
6.3	Customer loyalty aspects	185
6.4	Brand personality and customer relationships.....	188
6.5	Cultures within hotels.....	192
6.6	Organisational memory	196
6.7	Relationship marketing at unit level.....	197
6.8	Market segmentation as a key dimension of relationship marketing.....	209
6.9	Conclusion.....	214
7	Chapter Seven: Conclusions and Recommendations	216
7.1	Introduction	216

7.2	Dimensions of relationship marketing.....	217
7.3	Customer loyalty and relationships with hotel brands.....	218
7.4	Bringing it together	220
7.5	Methodology	222
7.6	Research recommendations	223
7.7	General recommendations	223
7.8	Recommendations for hotel companies.....	226
7.9	Recommendation for further research	226
7.10	Research limitations	227
7.11	Personal development.....	228
8	Bibliography	229
9	List of Appendices:	247
9.1	Appendix A: The initial research proposal to the company	248
9.2	Appendix B: Hotel managers' interview format.....	250
9.3	Appendix C: The letter sent to the company's customers	252
9.4	Appendix D: Customers' interview format	253
9.5	Appendix E: Pilot interviews' findings	254
9.6	Appendix F: An example of domain analysis for managers' interviews	257
9.7	Appendix G: An example of taxonomic analysis for participant observation	259
9.8	Appendix H: An example of taxonomic analysis for managers' interviews	263
9.9	Appendix I: An example of domain analysis for customers' interviews.....	273

List of Tables

Table 2.1	The marketing mix from 1960 to 1991 (Gummesson, 1994).....	10
Table 3.1	Soft and hard hotel brand features (Slattery, 1991).....	70
Table 4.1	Time spent/hour on each data collection technique.....	84
Table 4.2	Research Ethics (Adapted from Kimmel, 1988).....	101
Table 5.1	Customers' profile	124
Table 5.2	Special amenities offered to different customers.....	125
Table 5.3	Hotel Culture for interacting with customers	125
Table 5.4	Customer relationship development	126
Table 5.5	Type of information kept on customers.....	127
Table 5.6	Relationship marketing as seen by hotel managers in ABC hotel group.....	142
Table 5.7	Relationship marketing constituents as seen by hotel managers in ABC hotel group.....	143
Table 5.8	Relationship marketing as defined by hotel managers in DE hotel group.....	144
Table 5.9	Relationship marketing constituents as seen by hotel managers DE hotel group.....	145
Table 5.10	Market Segments.....	149
Table 5.11	Customer treating approach.....	151
Table 5.12	Hotel managers' views about additional criteria of Segmentation	154
Table 5.13	Reasons of choice (hotel attributes related).....	158
Table 5.14	Reasons of choice (hotel staff related)	158
Table 5.15	respondents' frequency.....	160
Table 5.16	Customer relationships	160
Table 5.17	loyalty drivers.....	164
Table 5.18	Customers' expectations.....	166
Table 6.1	Key elements/ Similarities in relationship marketing approaches	206

List of Figures

Figure 2.1 The current marketing mix paradigm of marketing	11
Figure 2.2 Levels of relationship marketing.....	24
Figure 2.3 The relationship marketing ladder of loyalty	25
Figure 2.4 A continuum of relationship marketing strategies	31
Figure 3.1 User status and usage rate categories	41
Figure 3.2 Segmentation model based on usage, frequency and loyalty and lifetime value	44
Figure 3.3 Interdepartmental relationships	52
Figure 3.4 Relationship inputs and outputs: firm and customer perspectives	62
Figure 3.5 What sort of relationship is appropriate?	67
Figure 4.1 Designing a case study.....	78
Figure 4.2 A conceptual framework for the development of the research methodology.....	79
Figure 4.3 Dimensions of descriptive observation	89
Figure 6.1 Customer relationship propensity model.....	184
Figure 6.2 Customer relationship with the softer and harder brands.....	190
Figure 6.3 Customer relationships with the softer and the harder brand hotel group.....	191
Figure 6.4 Relationship marketing: the iterative process as seen by hotel managers.....	199
Figure 6.5 Relationship marketing at the unit level.....	202
Figure 7.1 Relational segmentation	221

List of abbreviations

RM:	Relationship Marketing
TM :	Transactional Marketing
STP:	Segmentation, Targeting and Positioning
TQM:	Total Quality Management
IMP:	Industrial Marketing and Purchasing
CRM:	Customer Relationship Management
MSR:	Model of Service Relationships
CRS:	Central Reservation System
FFPs:	Frequent-Flyer Programmes
NUDIST:	Non-numerical Unstructured Data Indexing, Searching and Theory building
FIT:	Free Independent Traveller
BT:	British Telecom

1 Chapter One: Introduction

This chapter sets the scene for relationship marketing, presents the research questions and objectives and provides an outline to the research structure.

1.1 Rationale

The main principle of hospitality is to create a relationship or to maintain an existing one.

This can be achieved, in the acts of hospitality, during the exchange of products and services, both material and emblematic, between those who give hospitality and those who receive it (Selwyn, 2000).

According to Lashley (2000), the provision of hospitality depends on a commitment between a host and a guest based on monetary exchange and results in giving pleasure to guests, which eventually affects the experience of hospitality and impacts on the nature of hospitable behaviour. He added that 'both host and guest enter the hospitality occasion with a reduced sense of reciprocity and mutual obligation' (p.13). While the guests' motives to gain satisfaction are clear, the host's motives remain concealed. Furthermore, the host strives to offer only the amount of hospitality that will ensure guest satisfaction, reduce complaints and create repeat visits and guest loyalty.

Therefore, the notion of customer relationships is associated with the principal function of hospitality. Selwyn (2000) stated that due to the fact that relationships evolve within moral boundaries, one of the basic functions of any act of hospitality is either to strengthen the recognition that companies and existing customers already share the same 'moral universe' or to construct a 'moral universe' to which both companies and new customers agree to belong.

The marketing philosophy has been modified in marketing contexts due to the increased competition between companies as well as to the constant change in consumers' needs, wants, expectations and buying patterns. Levitt (1960) argued that a business should be a customer-oriented rather than a goods producer. He distinguished marketing, which should focus on customers' needs, from selling which focuses on sellers' needs.

Relationship marketing has introduced a change of philosophy from the traditional marketing concept that emphasises the short-term transactional approach through the traditional marketing mix (product, price, promotion and place) to a long-term customer-focused and mutually beneficial approach.

Recently, relationship marketing (RM) has become a subject of interest to many organisations. Although it was first introduced in industrial fields, service markets could benefit highly from relationship marketing as it distinguishes transactional marketing (TM) from customer-focused marketing. Kotler (1992) argued that in general, marketing theory is about making a sale. He added that, the idea behind STP (Segmentation, Targeting and Positioning), a strategic structure of marketing, provides very little about retaining customers. Therefore, organisations need to carry out 'wrap-around marketing', which focuses on acquiring and keeping customers (Kotler, 1992). 'Wrap-around marketing' is based on the study of markets and customers before, during and after the sale. Furthermore, 'wrap-around' marketers need to look at a customer's *lifetime value* and make sure that it surpasses the cost of acquiring a new customer.

Unlike the traditional view of marketing, relationship marketing focuses on the commitment to high customer contact in order to develop long-term relationships. Gronroos (1994) introduced a relational approach to marketing in an earlier work in 1990.

He stated that marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, in order for organisations to meet the objectives of the parties involved. This is achieved by a mutual exchange and fulfilment of promises. This definition not only included customers but also referred to other parties involved in the relationship such as stakeholders, intermediaries, suppliers, employees, etc.

Gronroos,(1990: 3), stated that, ‘the traditional view of marketing as a function for specialists planning and executing a marketing mix may not be altogether true where service is concerned’. He added that, in service marketing particularly and also in industrial marketing, the traditional marketing mix approach normally does not embrace the entire resources and activities that are involved at various levels of a customer relationship. This can be supported by Hakanson (1982) and Gronroos, (1989) as they argued that, in service industries, the consumption process lends itself to a series of interactions between the service firm and its customers. Those interactions go beyond the traditional marketing function with its 4Ps.

Indeed, the marketing attitude that should be used by companies towards the threatening danger of the continuous change of people tastes and habits has to be customer-focused. Competitive advantage has become the backbone for a company to survive in business. Customers’ expectations towards the offered services and facilities are growing along with advanced technology, environmental awareness, leisure time and increasing income. Inter-company competition and attempts to take a position of predominance in people’s minds have become the norm.

1.2 The scope of the study

A review of the literature revealed a number of key elements of a relationship marketing strategy. These included the identification of customers' needs, wants and expectations; market segmentation; two-way communication with customers; change of the organisational culture; staff empowerment; network development; and database.

Furthermore, Peck et al. (1995) emphasised the maximisation of the life-time value of desired market segments as a key element of relationship marketing, along with shifting from a transactional to a relational approach and bringing marketing, customer service and quality together. This study is concerned with the implementation of relationship marketing at the unit level (i.e. individual hotel level) in hotel groups. It focuses on the activities implemented by hotels to pursue a relationship marketing strategy. It explores the key dimensions of relationship marketing applied by hotels to the end customer. This study does not attempt to investigate the relationship marketing strategies of hotels with intermediaries.

1.3 Research questions

This study is concerned with two main questions:

- First, what are the activities involved in implementing a relationship marketing strategy in hotel groups?
- Second, how do hotel groups interact with different customer groups in attempts to build up, maintain and enhance customer relationships?

The research questions aim to investigate the process of interaction between hotel groups and end customers. The following objectives are developed in an attempt to answer the research questions.

1.4 Research objectives

The objectives of this study are to:

- Evaluate the theory of relationship marketing, its evolution, identity and implementation.
- Investigate customer-staff interactions in the hotel industry from a relational marketing perspective.
- Explore the key dimensions involved in implementing a relationship marketing approach in hotels and synthesise a model of relationship marketing at the unit level.
- Contribute to the relationship marketing literature by identifying effective relationship marketing strategies which hotel companies can pursue at the unit level to profitably retain their customers, make recommendations for relationship marketing practice in the hotel industry and make recommendations for further research.

The above objectives were achieved by carrying out a case study approach on a mid-market hotel company in the UK with softer and harder brands and exploring customer relationships in the two different brands. Multiple methods were adopted including: participant and non-participant observations, in-depth qualitative interviews with the hotel managers and the company's head office representative and telephone interviews with a number of the company's customers in order to investigate the hotels' practices in interacting with different market segments.

1.5 Research structure

This thesis is structured in seven chapters. Chapter two reviews the literature on relationship marketing, its background and evolution. It discusses the shift from the traditional approach to marketing to the relational approach and explores the major issues when implementing a relational approach to marketing. Chapter three investigates the key

dimensions of relationship marketing. It discusses the activities involved in pursuing a relationship marketing strategy. It lays emphasis on market segmentation, interactions, value creation, networking and trust and commitment as the most important elements of relationship marketing. It highlights customers' loyalty and lifetime value and looks at brand loyalty.

Chapter four is concerned with the research methodology. It justifies the research philosophy in applying a qualitative approach. It presents the research design, the research methods applied and the sampling strategies. Multiple research methods are employed to gain rich insights of the sample hotel company's practices of relationship marketing. Chapter five presents the research findings from each research method adapted. It puts forward the company's views as well as customers' views about the relationship.

Chapter six presents the themes that emanated from the research findings. It discusses the interaction approach to relationship marketing and proposes a model for relationship marketing strategy at the unit level in hotels. Chapter seven draws conclusions from the research undertaken and makes recommendations for relationship marketing practice in the hotel industry. It also provides recommendations for further research and refers to the research limitations and the researcher's personal development.

There are very few studies of relationship marketing in the hotel industry. This study seeks to contribute to the development of the theory and practice of relationship marketing in the hotel industry by exploring the key dimensions of implementing a relationship marketing approach and its implementations in hotel groups.

2 Chapter Two: Theory and Practice of Relationship Marketing

2.1 Introduction

This chapter reviews the growing trend in literature to shift from transactional marketing towards a more customer-oriented approach; defines relationship marketing and traces its evolution; discusses its theoretical inputs and models of implementation and reviews the relevant work introduced by academics into the literature.

2.2 The shift to relationship marketing

In recent years, there has been a growing body of literature which emphasises the relevance of relationship marketing theory in industrial and services marketing (Christopher et al., 1991). Relationship marketing reaffirms a strategy that positions the customer as a first priority to organisations. Its philosophy has moved companies from traditional marketing that focuses on the short-term transactional approach revolving around single and short-term events with a defined beginning and end, to a long-term, customer focused and mutually beneficial approach.

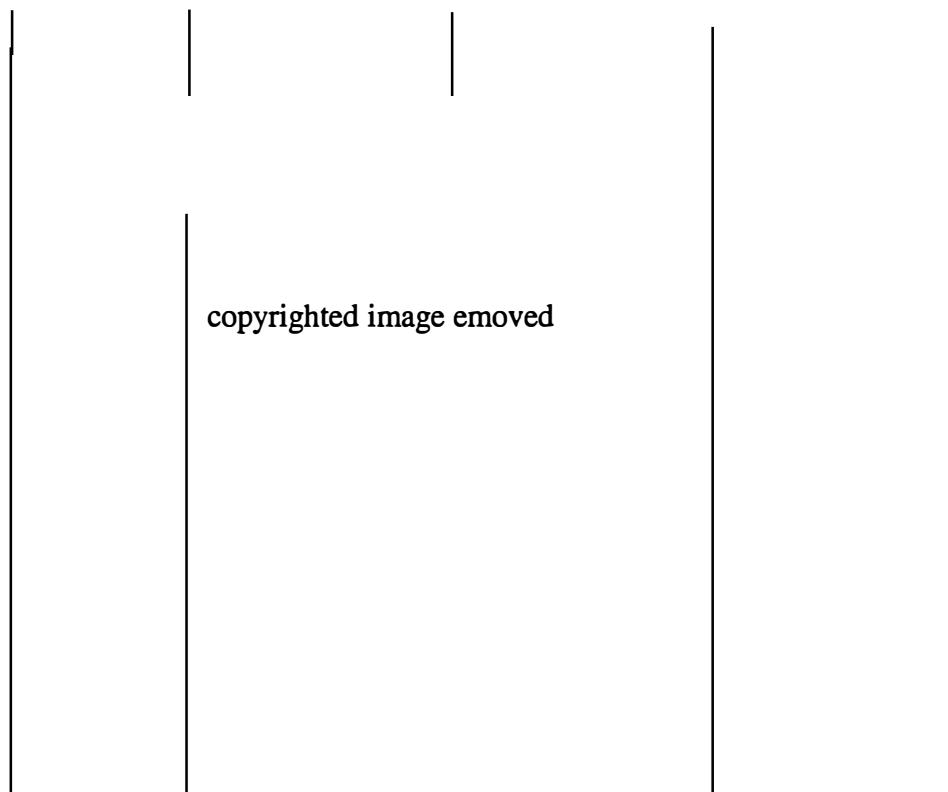
Gummesson (1994) explored the link between relationship marketing and a new organisational pattern which has been referred to as the 'imaginary corporation', i.e. organisations are moving away from being tangible objects towards being social entities. The traditional marketing concept was perceived to be operational and direct while the operationality of relationship marketing has been more complex. However, interactions with customers have always been at the heart of any business activity but were rarely given a notable position in general marketing contexts (Gummesson, 1994).

In recent years, marketing orientation has been reconceptualised from transactions to relationships as a part of its development as a field of study (Sheth & Paravatiyar, 1995a, 1995b). The paradigm shift from transactions to relationships has been, according to Sheth and Paravatiyar (1995b), associated with the return of direct marketing both for business-to-business and business-to-consumer markets.

The marketing mix concept with its four components (product, price, promotion, and place) was introduced around 1960 (McCarthy, 1960). According to Gronroos (1999), in western economies the market situation has been transformed by the advent of the post-industrial society in which mass markets have become more fragmented and many markets have matured. Furthermore, customers sought a more personalised treatment and no longer wanted to remain anonymous. Besides, competition is escalating globally with less standardised market offerings that are made possible by the new technology.

Additional elements have been added to the traditional marketing mix such as: people, process, packaging, programming, partnership and physical evidence (Middleton, 1988; Morrison, 1989). Seaton and Bennett (1996) argued that these additional elements were already included in the process of product development and distribution. Nevertheless, 'people' should be viewed as a significant addition to the marketing mix in respect of relationship marketing. Table 2.1 shows how the 4Ps expanded in the literature from 1960 to 1991.

Table 2.1. The marketing mix from 1960 to 1991



Gummesson, 1994

Gummesson (1994) argued that although the expansion of the marketing mix combines relationships and interactions to a certain extent, relationship marketing involved a more radical change. A shift in the marketing paradigm perceived by Gummesson (1994) is illustrated in Figure 2.1. It demonstrates the transition of the 4Ps from being the focus parameters of marketing to being contributing parameters to networks, interactions and relationships. In a traditional marketing context the 4Ps are considered to be the focus of operations placing relationships, networks and interactions as marginal subordinates, while in a relationship marketing context the 4Ps are complementing relationships, networks and interactions that are in the focus of operations. Critics of the traditional marketing paradigm stated that a short-term transactional focus is inappropriate for industrial and services marketing and that founding long-term relationships with customers is significant for organisational success (Hakansson, 1982; Gronroos, 1990, Christopher et al., 1991).

Gordon (1998) affirmed that the concept of the traditional marketing mix is appropriate when the marketer is focusing on a certain market segment. Nevertheless, when that specific segment tapers to a single person or company, and when the objective of the organisation is to develop mutual and shared value with that customer over a lifetime of purchasing, the concept of the marketing mix changes. This is because the traditional marketing mix with its 4Ps became too narrow an approach as new elements were needed in order to manage all aspects of the customer's interactions.

Figure 2.1 The current marketing mix paradigm of marketing (left) and the future relationship marketing paradigm (right)

copyrighted image removed

Gummesson, 1994

2.2.1 A relational approach to marketing versus a transactional approach

Christopher et al. (1999) argued that relationship marketing entails a change in philosophy from that of transactional marketing. They introduced the six-market model namely: customer markets, referral markets, supplier markets, employee recruitment markets, influencer markets and internal markets. This model, according to Saren & Tozkas (1999), revolves

around the maximisation of customer value through the spanning roles of customer advocate, internal integrator, strategic director and through networking and partnerships. A recent change to the six-market model positioned customer markets at the core of relationship marketing (Saren & Tozkas, 1999).

Sheth & Parvatiyar (1995b) suggested that with relationship marketing evolution, the so far prominent exchange paradigm of marketing would be inadequate to explain the growing marketing philosophy of the involvement of customers in the production process. They added that, 'an alternate paradigm of marketing needs to be developed that is more process rather than outcome oriented, and emphasises value creation rather than value distribution' (P. 397). According to the growth of interest in relationship marketing that has taken place in recent years, relationship marketing is now becoming a focal point in marketing thought. With its full potential in creating and enhancing products and services' value, relationship marketing presents a marketing concept that is a fast growing school of thought.

Moreover, Higgins (2000) asserted that although the transactional marketing approach was concerned with the relationship between the customer and the product, the main aim was to achieve high sales volumes by meeting customers' needs effectively. This was to be accomplished by the management of the marketing mix. The result here was the sale and the determinant of success was the number of transactions as well as short-term profitability. On the other hand, the *relationship marketing approach focuses on the integration of a number of essential elements such as trust, promise, commitment and mutuality*. Ballantyne (2000) argued that service marketers have long been critical of the 4Ps as a resources-allocation process for managing and developing customers' relationships. On the contrary, service is emphasised as an ongoing interactive process. Long-term relationships with customers are of

particular importance in service markets, as they contribute to a company's profitability, by minimising costs, and make it difficult for competitors to increase their share of the market.

2.3 Reasons behind the growth of the relational approach to marketing

The growth of the relational approach to marketing in the post-industrial era is, according to Sheth & Parvatiyar (1995b), due to the rebirth of direct marketing between producers and consumers. They asserted that a number of environmental and organisational development factors were accountable for this rebirth of direct relationships between producers and consumers. They suggested that, at least five macro-environmental forces could be identified:

First, the rapid technological advancements in information technology, which forced companies to work together in joint research assignments to minimise the cost of research and development. Accordingly, partnering and alliances became popular.

Second, the adoption of total quality programmes by companies. Companies realised the benefit of offering quality products and services at lower costs. Therefore, they embraced 'Total Quality Management' (TQM) to enhance quality and reduce costs. This in turn led to the involvement of suppliers and customers in the implementation process at all levels of the value chain.

Third, the growth of the service economy. As many organisations depended on revenues from the services sector, a relational approach to marketing became dominant. This is because service providers were typically involved in both the production and delivery of the service, i.e. the service was usually produced and delivered by the same organisation.

Fourth, the development of organisational processes led to the empowerment of individuals and teams, which altered the role definition of the staff members in the company. Companies became keener to involve users of products and services in the buying decisions of the company instead of delegating a buyer department as a specialised function.

Fifth, the increase in competition led to concern for customer retention, as marketers realised that it cost more to recruit and compete for a new customer than to keep an existing one. These forces negatively affected the reliance of both producers and customers on the middlemen. They endorsed more direct interactions between producers and consumers and supported the growth of relationship marketing.

Furthermore, according to Gordon (1998), the shift from the traditional approach to a relational approach to marketing is attributed to the fact that customers became more sophisticated and knowledgeable, the ongoing dramatic advances in technology and the increased competition battles between products and services producers.

Finally, the shift in the focus of marketing received, as any shift in any discipline, advocacy and criticism. However, it captured the interest of scholars in many parts of the world such as North America, Europe, Australia and Asia. With its broad scope, relationship marketing covers the entire spectrum of marketing's sub-disciplines comprising channels, business to business marketing, service marketing, marketing communication, marketing strategy, direct marketing and international marketing. Besides, marketing is an evolving discipline and like any other science, it has developed a system of expanding, changing and updating its essential knowledge (Sheth & Parvatiyar, 1995b).

2.4 The evolution of relationship marketing

2.4.1 The nature of relationships

The importance of what relationships mean to people was emphasised by Duck (1991). He stated that, the psychology of personal relationships means that each partner carries their own personal meaning, values, opinions and attitudes that stem from their own personality into the relationship. Hakansson and Snehota (1997) asserted that it is difficult to define a relationship. However, they tentatively defined a relationship as 'a mutually oriented interaction between two reciprocally committed parties.' (P. 25). They added that a relationship progresses over time in the form of a chain of interaction episodes and a sequence of acts and counteracts. It has a history and a future. Witkowski and Thibodeau (1999) provided a logical approach to describing relationships. They analysed a relationship to identify three major aspects: communication content which involves the information needed to initiate and/or continue the relationship, exchange content that represents the actual trade of goods and services and normative content which revolves around the expectation of each party involved in the relationship.

2.4.2 The evolution of business relationships

During the agricultural era, when economies were largely based on the trade of art and artifacts, most farmers traded their produce directly at markets. Equally, artisans sold their art and artifacts at those markets. Producers and consumers interacted face to face to trade goods (Sheth and Parvatiyar, 1995b). As the role of the producer was not distant from that of the trader, producers acted as manufacturers as well as retailers of their own produce. Relationships were developed between producers and consumers, which resulted in the customisation of products for individual customers.

The detachment of the producers from the users was a natural progress of the industrial era. Due to mass production, producers were forced to sell via middlemen. Also, the specialisation of corporate functions encouraged organisations to create professional purchasing departments with buyer specialists, separating the users from the producers. Nonetheless, the advent of technological advancements enabled producers to understand and appreciate the users' needs better and to produce custom products which are sold directly to the users. More recently, organisational development led to the development of sophisticated processes such as empowerment, total quality programmes and forward interfaces between producers and users in both consumer and industrial markets. This introduced marketers to a greater relational orientation (Sheth and Paravatiyar, 1995b).

Shapiro and Posner (1979) contended that the post-industrial era witnessed considerable development in relationship marketing, both in practice and in academic thinking, as marketers acknowledged the need to complement a transaction-orientation with an orientation which focusing more on customers. This started with the introduction of complex products, which heightened the systems selling approach. This approach emphasised the integration of parts and supplies and appealed increasingly to customers as they appreciated the idea of systems integration. Similarly, sellers were enabled to sell augmented products and services to customers. The concept of system integration extended to services along with consumer packaged goods.

The notion of interacting with individual customers, the core principle of relationship marketing (Ballantyne, 2000), in order to identify and stimulate demand is not altogether new. It can be traced back to the 19th century. Relationship marketing philosophy emerged in the 1970s as an alternative approach to marketing that called for the creation and management of customer relationships (Gronroos, 1999). However, it characterises a concept

that can go back to the beginning of commerce itself as it seemed to be naturally practised by small and medium-sized businesses: 'it is a return to what can be called the 'roots of trade and commerce'' (Gronroos, 1999: 328). The idea of relationship marketing blossomed when the shopkeeper tried to enhance sales through simply talking to customers, ascertaining their likes and dislikes. The relationship became personalised before the use of sophisticated marketing techniques and the advent of the middleman. Commonsense and personal skills were employed to satisfy the needs and expectations of customers. Through this direct contact with customers, a shopkeeper developed their knowledge of when to order stock and how to add value to services provided by identifying customers' requirements.

2.4.3 The introduction of relationship marketing

Although the term 'Relationship Marketing' is one of the most fashionable marketing terms that emerged in the 1990s (Peck et al., 1999), it is an old concept of which some techniques have already been practised in different fields (Helper 1991; Sheth & Parvatiyar, 1994; 1995a). It is an emerging philosophy that was discussed in literature throughout the 1990s (Gronroos, 1999). Relationship marketing was first introduced in two streams of research carried out in Scandanavia and Northern Europe (Gronroos and Gummesson, 1985; Berry and Parasuraman, 1993; Gronroos, 1996). These two streams were by the Nordic School of Service, that focused on marketing from a service point of view and by Industrial Marketing and Purchasing Group (IMP), that adopted a network and interaction approach to industrial fields (Gummesson, 1994; Hakansson and Snehota, 1995). These two schools of thought looked at marketing as a management process rather than a function. They also considered that market-oriented management was best based on a relationship approach rather than a transactional one. Gronroos (1996) declared that the term 'relationship marketing' was first invented in the USA in 1983.

Relationship marketing first appeared in literature in the 1980s. Berry (1983) published the first work on relationship marketing. He defined it as 'attracting, maintaining and in multi-service organisations, enhancing customer relationships' (P.25). An examination of authors' work on relationship marketing indicated that a coherent set of characteristics does not seem to have developed. Some terms appearing in the literature introduced similar ideas for relationship marketing such as database marketing, one to one marketing, relational marketing, relationship exchange and interactive marketing (Gronroos, 1999).

Relationship marketing also appeared in the literature under the term 'after marketing'. Pruden (1995: 30) implied that relationship marketing acts as an after-marketing strategy that aims to reduce the number of dissatisfied customers and to enhance customers' loyalty. He emphasised the difference between relationship marketing and frequency marketing. He argued that, the latter is to be directed to customers so as to increase the relationship yield through long term interactions while the former is concerned with retaining the best customers. He added that, aftermarketing endeavours to move all customers up a loyalty ladder from triers, to regulars, to reliants and finally to advocates.

2.5 The purpose of relationship marketing

The purpose of relationship marketing, according to Sheth and Parvatiyar (1995a), is to improve the productivity of marketing through efficiency and effectiveness. With the help of relationship marketing practices, such as customer retention and efficient consumer response, as well as the sharing of resources between marketing partners, efficiencies can be achieved (Sheth and Pavatiyar, 1995b). Equally, higher marketing effectiveness can be achieved as a result of customer involvement in the early stages of developing marketing programs, through individualised marketing and by the implementation of mass customisation which focuses on the needs of each selected customer, leading to more effective marketing.

Relationship marketing should result in customer retention, the effect of which on companies' profitability can be summarised according to Rosenberg and Czeipl (1984), as follows: the cost of attracting a new customer only incurs at the first contact; retaining an existing customer is less expensive than acquiring a new one as a company spends six times more to recruit a new customer than it does to keep an existing one. Besides, long-term customers: are likely to be less price-conscious when new services or facilities are introduced; tend to frequently place consistent orders which makes it easier for the company to supply; when satisfied they can be positive and free word-of-mouth advertisers.

2.6 The identity of relationship marketing

Relationship marketing applied by a firm must be clearly defined as it is not possible for relationship marketing as a paradigm to be equally effective with all types of customers. Therefore, it can be suggested that relationships should be identified according to several dimensions: the symmetry of a relationship; its quality; the parties involved i.e. individuals, organisations, roles, etc.; whether the relationship takes place in consumers or businesses market contexts; the closeness and intensity of a relationship and the level at which the interactions occur e.g. micro or macro levels (Iacobucci, 1994). However, according to Gronroos (1999), in relationship marketing practice it seems inconceivable for a firm to limit itself to a pre-decided set of marketing variables. Alternatively, all available resources must be used, based upon the stage and nature of the relationship with existing or potential customers.

Nonetheless, relationship marketing is still seeking its identity. The fact that relationship marketing is not well understood and is being applied as different concepts creates the need for closer investigation of the different activities of organisations. Gummesson (1994: 7) argued that 'relationship marketing is currently seeking its identity'. Stone & Woodcock

(1995) asserted that relationship marketing is an old marketing philosophy that is not quite comprehended. Blois (1995: 2) added that 'amongst the problems in discussing this issue is the lack of an agreed definition of the term 'relationship marketing' and the range of situations to which it is applied'. Furthermore, Gummesson (1994) emphasised that apart from the support dedicated to relationship marketing by marketers, its operational identity remains unclear, i.e. the types of relationships, how to manage them and their benefits.

2.6.1 Definitions of relationship marketing

Gronroos (1999) argued that, none of the definitions of relationship marketing introduced the concept of exchange, which for about 20 years has been seen as underpinning traditional marketing. He added that a relationship is a 'mindset' that involves more than the concept of exchange. Exchange should inescapably take place in the case of an existing relationship between two parties.

Literature, in the areas of marketing, service marketing, customer satisfaction, service quality, relationship marketing, reward schemes, customer loyalty, hospitality marketing and hospitality management, indicated that authors agreed on defining relationship marketing as an approach to develop business adopted by organisations to build up long-term customer relationships that provide mutual benefits for both parties. For example, Stone and Woodcock (1995) suggested that relationship marketing is a philosophy used to identify named individual customers and to develop a long-term relationship with them that should be managed to realise mutual benefits. This definition is supplemented by focusing on a personalised service 'identify named customers' that will result in creating a two-way communication with the customer. However, no specific activities were provided on how to manage customer relationships. Morgan and Hunt's (1994) definition of relationship

marketing emphasised the creation of a successful relationship between the parties involved without coming across the essential constituents. They stated that relationship marketing involves directing all marketing activities to build, develop and maintain successful relational exchanges. Sheth (1994) broadly defined relationship marketing as understanding and managing business relationships between customers and organisations. Evans and Laskin (1994) took the same path in defining relationship marketing as a customer-focused approach where firms establish long-term business relations with both prospective and existing customers.

Copulsky and Wolf (1991) described relationship marketing as a combination of general advertising, sales promotion, public relations and direct marketing that could be effectively directed to customers, as a means of reaching them. However, they limited the activities of relationship marketing to customers ignoring other parties such as employees and suppliers who were also neglected in all the definitions discussed above. Irving and Tivey (1997) associated relationship marketing with the provision of long-term, loyal, committed and profitable relationships with both potential and existing customers. This can be achieved through communication as well as by providing quality goods and services. In this definition a number of important elements of relationship marketing are suggested: longevity, loyalty, commitment and profitability of relationships. Furthermore, communication of the product and the quality of service appeared in this definition to be the main two techniques through which relationship marketing is to be pursued. However, relationship marketing tends to depend on more sophisticated techniques such as an up-to-date information system, a thorough knowledge of customers needs, wants and expectations, a customer-based organisational culture, internal marketing and the continuity of the relationship in addition to two-way communication and the quality of service. Christopher, Payne and Ballantyne

(1991) added that the concept of relationship marketing is emerging as a new focal point, bringing together customer service and quality with a market orientation. Dwyer, Schurr and Oh (1987) characterised relationship marketing as being longer in duration than traditional marketing, indicating an ongoing process.

Storbacka (1995) proposed a useful approach to considering customer relationships. This approach was based on four dimensions: the interaction frequency in a given period of time; the interaction regularity; the time incurred since the first interaction and the monetary value exchanged in interactions. However, this approach could be developed by adding the expected lifetime value of a customer as a fifth dimension. Gordon (1998) added that relationship marketing is the ongoing practice of identifying individual customers and creating new value and aims to achieve mutual benefits from the value created over a lifetime of an association. This definition brought out an important issue associated with a relationship marketing strategy. This is the continuous review of individual customers to determine the added value that can be offered to result in shared benefits for both the company and the customer.

From the above definitions, it is apparent that academics consider relationship marketing as a way to lead companies to achieve their objectives through enhancing and maintaining long-term customer relationships. It emphasises long-term customer contact and creates a customer retention philosophy within an organisation. However, what was introduced into the literature in this context is expressed broadly. The definitions provided for relationship marketing seem to be open-ended. Gronroos (1999) argued that there was no agreement on a definition of relationship marketing in literature. Furthermore, most of the definitions introduced in the literature expressed the desired output as a common denominator, which

was a long-term customer relationship and mutual benefit. The relationship inputs, including all the essential activities that should be implemented by organisations in order to pursue proper relationship marketing, are not well supported in the literature.

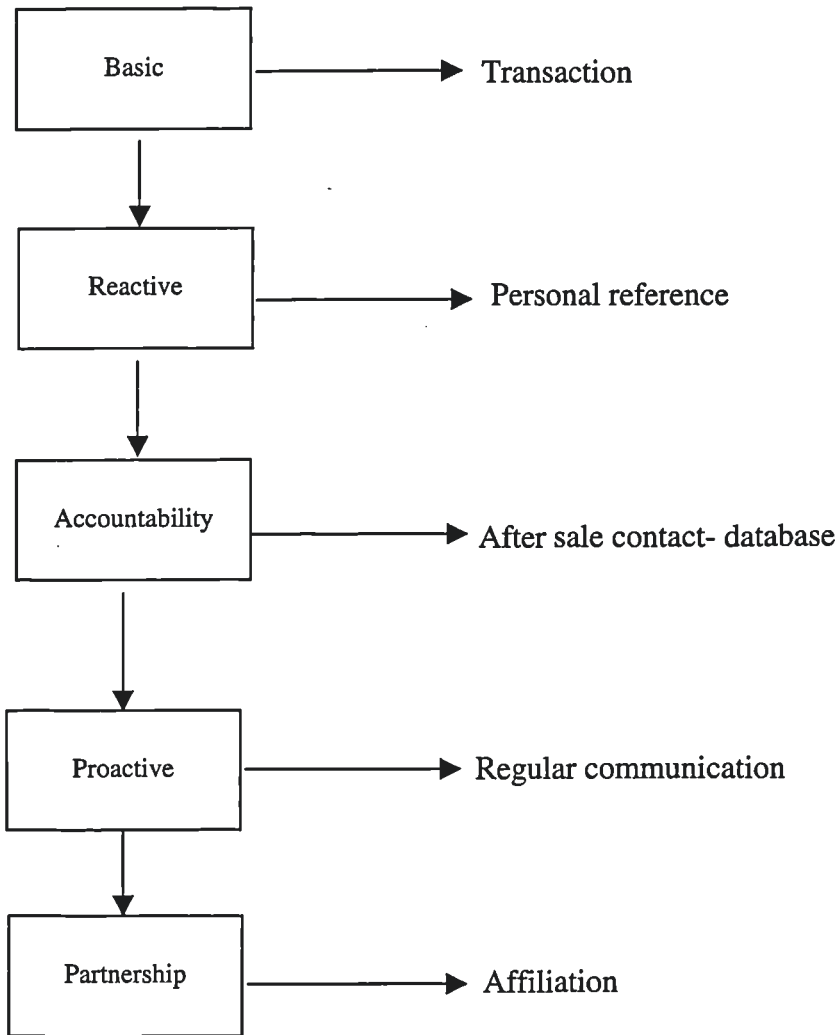
Little work has been undertaken to identify these activities. Furthermore, Higgins and Smith (2000: 81) argued that 'whilst many have grown weary of the claims of relationship marketing (RM) to represent a fundamental shift in marketing thought, critics remain focused upon its unfulfilled claims and, in particular, point to inconsistencies between theory and practice'.

However, a helpful perspective for approaching relationship marketing was introduced by Gummesson (1994: 5). He said: 'look through the relationship, network and interaction lenses and what do you see? It is more inclusive than the other definitions and draws more heavily on a variety of theories.' Accordingly, it was thought useful to look at the issues involved in implementing a relational approach to marketing in order to draw a comprehensive definition.

2.7 The levels of customer relationships

Kotler (1992) emphasised that organisations should develop stronger relationships with their profitable customers. He introduced five levels of relationship marketing that can be pursued by organisations. Figure 2.2 illustrates the different levels of relationship marketing.

Figure 2.2 Levels of relationship marketing



Adapted from Kotler, 1992

The basic level represents the actual sale transaction. This level does not necessarily involve a relationship with the seller as the customer is referred to a different department for after sale services. However, a strong bond could be created between the customer and the company, which results in repeat purchases. Reactive was introduced as the second level of relating. At this stage, the salesperson offers their personal contact as an after-sale reference. The next level of relationships is accountability. This is the level where the salesperson calls the customer to ensure their satisfaction with the product or the service sold. Customers' feedback at this stage is often used to improve the organisation's services and products. The

fourth level of the relationship is proactive. At this level the salesperson contacts the customer regularly to inform them of any new services and special offers. This demonstrates the organisation's interest in a customer's needs. The ultimate level of relationship marketing is partnership. This level involves, according to Kotler (1992), working with the customer towards achieving better value and is mostly restricted to business- to- business relationships.

Along the same lines, Peck et al. (1999) presented a relationship marketing ladder of loyalty. The loyalty ladder, as shown in Figure 2.3, presents the different levels of relationship development. It implies that different marketing strategies are required for new and existing customers.

Figure 2.3 The relationship marketing ladder of loyalty



(Peck et al., 1999: 45)

The first aim here is to convert the 'prospect' into a 'purchaser' or a 'customer' (as appeared in an earlier version of the ladder (Christopher et al., 1991)). The next aim is to turn the 'purchaser' into a 'client' who purchases repeatedly and then into a 'supporter' of the company, who can be developed into an 'advocate'. The company's 'advocates' represent a powerful tool for advertising by good word of mouth. The ultimate objective of the loyalty ladder is to create a 'partner' who is associated with the supplier in a trusting, committed relationship. The principle of the loyalty ladder is to move people up the ladder, step by step, till they reach the ultimate level of a partner. However, it is possible that a purchaser could act like a supporter or an advocate by moving up a few steps. On the other hand, a purchaser who has done business with the company once may go back to being a prospect after a long period of time of not using the company. Therefore, it is possible at any step of the loyalty ladders that customers could move up or down.

Peck et al. (1999) argued that the loyalty ladder infers that it is not feasible to develop a relationship with every customer. Some customer segments may not be the most suitable for the resources needed to develop a relationship as it may prove to be expensive. Commonly, a change in an organisation's marketing activities and an increase in the marketing expenditure on the relationship developing elements may be called for. Therefore, the need to take into account the potential lifetime value of a customer and to consider their appropriateness to the development of a committed relationship should be declared.

For the purpose of this study, a loyal customer is defined, according to Kandampully, and Suhartanto (2000) as someone who always buys from and recommends the same supplier whenever possible, and maintains a positive attitude towards the supplier. Also, a customer's potential life-time value is defined, according to Buttle (2000:1) as 'the present-day value of all future margins that might be earned in a relationship.'

2.8 Theoretical inputs of relationship marketing

Despite the growing body of relationship marketing literature, little has been written on the essential constituents that are specifically attributable to the implementation of relationship marketing. For example, Berry (1983) originally presented five approaches to enhance relationships in a service context. These approaches focused on the strength of the core service, value-added peripherals, customisation, the competitiveness of the price and internal marketing. It seemed that the above would form an integral part of any sound marketing programme but no differentiation has been highlighted between relationship marketing, in terms of distinguished techniques, and traditional marketing.

Along the same lines, McKenna (1991) emphasised strategic alliances as a means to strengthen and maximise business relationships, which is not solely applicable to relationship marketing. He also highlighted the importance of personal relationships in maintaining customer loyalty. This approach appears to be too broad and does not specify the essential inputs of relationship marketing. Similarly, Varva (1992) stressed close customer communication programmes and advocated multiple interactions and customer information files as important tools for customer retention. Again, these features would contribute to any successful marketing strategy and are not necessarily unique to relationship marketing (Iacobucci, 1994). It can be concluded from the above three viewpoints that some academics considered relationship marketing as a form of traditional marketing that is more customer-oriented. They agreed on emphasising closer liaisons with customers as the main ingredient to pursuing a relationship marketing strategy but did not provide a clear perspective on what strategies should be used in order to develop those liaisons.

2.8.1 A resource oriented strategy

Gronroos (1996) introduced a model to differentiate product-oriented, transactional marketing from the resource-oriented strategy taking relationship marketing as an approach. This model presents transactional marketing with three key areas: a marketing and/or sales department which represents the organisation, the market, and the product being the main elements of product-oriented marketing. In this approach marketing activities are carried out by designated personnel and the market is seen to consist of anonymous individuals or organisations and the offering is dominated by core products. Customers are given promises through mass marketing that seem to be fulfilled by focusing on product features and product development.

On the other hand, relationship marketing in Gronroos's (1996) model is based on four main resources: personnel, technology, knowledge and time. The idea here is about utilising the organisation's resources to meet customers' desires and expectations. According to the model, the above resources have to be employed through interactive marketing, part-time marketers and customer care so that promises given can be fulfilled. Furthermore, Gronroos (1999) emphasised that customers represent an important resource for a company developing ongoing customer relationships, as the development of the relationships improves with the use of data on customers' activities, initiatives and behaviours.

The model also implies that, in relationship marketing the offering does not revolve around core products. On the contrary, it is based on value-enhancing and personalised service.

Gronroos (1999: 329) argued that 'in relationship marketing, the firm cannot rely on a prefabricated product. It must develop such resources as personnel, technology, know-how, the customer's time, and the customer itself as a resource.' He added that the product should be considered as one of many resources, even though it is an essential pre-requisite for

successful customer relationship. Hence, the relationship becomes the focus for marketing. Furthermore, Kotler (1992) emphasised that the key to relationship marketing is that organisations are not only selling products. It is the additional benefits that the supplier provides that keep customers. According to Barney (1991), and Hunt & Morgan (1995 - 1999), a firm's basic resources, including financial, organisational, legal, physical, human, informational and relational resources should be joined with its reputation to produce higher-order resources or competencies with which the firm can gain competitive advantages.

2.8.2 Organisational memory

Grover et al. (1994) emphasised the importance of an organisational-memory process for the implementation of relationship marketing. They claimed that the success of a buyer-seller relationship relies on some kind of relationship "memory" and organisational flexibility. The relationship memory becomes significant to the seller when used to customise the products and services offered to buyers. They also addressed the organisational memory and organisational flexibility as two important factors to be used in the development of a process-oriented theory for relationship marketing. In contrast, in an earlier phase, a situational and content perspective was supported by Macneil (1980). The situational and content approach to relationship marketing deals with the significance of the variables that constitute the relationship.

According to Grover et al. (1994), the key to relationship marketing practice is the development and management of a memorised buyer-seller relationship. It was argued that each individual interaction should be based on its history and anticipated future. Other pieces of work undertaken by Galbraith (1977); Nelson & Winter (1982); Sanderland & Stablein (1987); and Walsh & Ungson (1991), have examined an organisational memory concept.

Organisational memory can be defined as the information gathered from previous experiences of a firm to be used in strategic and organisational decision-making procedures. DeNitto (1993) reported a case when a certain guest at a Ritz Carlton Hotel asked for wine with ice cubes. This particular event was stored in a computer system as a 'transaction memory' and then every stay the guest stayed at any Ritz Carlton hotel anywhere in the world he/she receives the same service.

A flexible approach to the practice of relationship marketing was introduced by Grover et al (1994). This approach is associated with the organisational memory and allows some degree of individuality to be dedicated to a relationship in order to accommodate unique customer requests. Earlier, McKenna (1991) emphasised an integrated practice of relationship marketing that was based on relationship marketing flexibility when an aluminium cans manufacturer decided automatically to develop a new plant whenever a new brewery is introduced by its customer (a beer company).

Based on the durable sustainability of relationship marketing that is associated with the above-described memory, Grover et al (1994) proposed a continuum of relationship marketing strategy. As shown in Figure 2.4, database memory is not, by itself, a sufficient tool for relationship marketing as it is represented by the narrow end of the continuum. In contrast, the organisational memory, which seems to combine both database and individual memory, leads to a broad aspect of relationship marketing. Sheth and Parvatiyar (1995b), argued that the integrated knowledge of an organisation and the process developed for introducing organisational learning involve a great deal of a firm's informational resources even though, in many cases, the knowledge held by individuals is regarded as part of a firm's human resources.

Figure 2.4 illustrates how database memory at the narrow end of the continuum facilitates the development and the maintenance of a relationship. This, according to Grover et al (1994), is due to the relatively low cost of a database. This low cost of acquiring customer information could enable the service providers with large numbers of customers to develop some form of relationships. On the other hand, to apply proper relationship marketing, companies cannot rely solely on the utilisation of databases.

Figure 2.4 A continuum of relationship marketing strategies

copyrighted image removed

Grover et al, 1994

Alternatively, at the other end of the continuum the broad form of relationship marketing is said to be expensive to acquire and implement. Mechanisms that measure the practicality of the relationship for a company are not easily achievable. The middle section of the continuum is characterised by the relationship memory of individuals within a company.

Accordingly, it can be inferred that the broad approach to relationship marketing can provide organisations with a flexibility advantage. This enables them to utilise their resources effectively to meet the needs and wants of any particular customer. However, the decision to adopt either a narrow or broad approach to relationship marketing has to be based on the organisation's circumstances, in terms of cost and profit analysis and the resources available.

2.8.3 Part-time marketers

Gummesson (1994) introduced three important aspects to relationship marketing. He suggested that relationship marketing is based on relationships, interactions and networks. He emphasised the two-way communication approach (interaction) and the integrated nature of relationship marketing (network). This approach differs in philosophy from the traditional marketing with its basic 4Ps. The relationship approach to marketing is based on the identification of customers' needs, interaction, commitment and trust. It is a more market-oriented philosophy that depends a great deal on part-time marketers all over the company than a product-oriented approach that depends on a division of labour. Unlike product-oriented marketing, a resource-oriented approach that is viewed in terms of relationship marketing does not restrict the job to a department of specialist marketers (Hunt & Morgan, 1999). Marketing in this case is the responsibility of everyone in the organisation in addition to the centralised marketing department, everyone else acts like a 'part time marketer' (Bowen and Schneider, 1988). Customers are dealt with on a personal and individualised basis, they are no longer anonymous individuals or organisations. Gummesson (1990) argued that, full-time marketers may only handle limited marketing functions as it is difficult for them to be at the right place at the right time with the right customer contacts. Part-time marketers usually exert a positive influence on a customer. They can stimulate a customer's satisfaction and enhance their quality perception. They also have an impact on a customer's

future buying and recommending attitude. According to Gronroos (1999), marketing has become a task of all departments in the organisation and is no longer a task of marketing specialists.

However, it is difficult for marketing specialists to influence people outside the marketing department and to design jobs for them in order to act like part-time marketers. Furthermore, marketing specialists cannot take responsibility for the performance and attitude of the part-time marketers and their impact on customers. Therefore, Gronroos (1999) suggested that marketing specialists should act as 'internal consultants' to top managers and an internal marketing process should be created so that part-time marketers can understand and learn their marketing duties to act in a customer-orientated way.

2.8.4 The integration between the seller and the buyer

It can be argued that some of the theories of relationship marketing stressed the situational and content perspective by emphasising the integration between the seller and the buyer. For example, McKenna (1991) viewed relationship marketing as an attempt to integrate the customer into the organisation. Similarly, Sheth & Parvatiyar (1992) asserted that relationship marketing is an approach that integrates customers, suppliers and other partners into the developmental and marketing activities of an organisation.

Hunt and Morgan (1999) argued that a firm should be engaged in relationships only when relationship marketing is in harmony with the firm's marketing strategy. Furthermore, relationship marketing should be adopted only if it contributes to the firm's competitive advantage. They based the success of relationship marketing upon the sustainability of competitive advantage that a firm can achieve. Current arguments for the economic rationale of relationship marketing indicated that buyers-sellers' relationships prove more profitable in

the long-term interactions. This is due to the fact that process modification and technological adaptation in case of suppliers' changes are less cost-effective (Hakansson, 1982).

Furthermore, high risk and complexity are two factors associated with service relationships that stimulate ongoing commitment (Lovelock, 1983).

Czepiel (1990) argued that relationships between organisations and individual customers could suffer from some form of conceptual issues' difficulties that evolve around organisations' identities and the ability of an individual to possess a relationship with a certain organisation. This is due to two main problems addressed by Czepiel (1990): first, the fact that organisations are abstract identities which seem out of reach for individuals to relate to, and second, relationships may be perceived as asymmetrical by individuals who subconsciously think they do not exist. It can be suggested that organisations identify their resources, in terms of what can be offered to customers, how relationships are to be managed and employ an approach to analyse relationships.

Some authors introduced an organisational process such as Kotler (1992), who argued that relationship marketing focuses on market and customer analysis which should both take place before, during and after the sale. A relevant view was presented by Grover et al. (1994), they believe that it is essential for an organisation to pursue an organisational process perspective that complements the situational and content approach.

Finally, It can be said that in a relational approach to marketing, organisations must recognise the issues encountered in the development of long-term relationships with their exchange partners. Exchange partners may not only be the organisation's end customers but also intermediaries, buyers, influencers, employees, suppliers, competition, non-profit organisations, governmental bodies and the company's own divisions. However, issues such

as resource- dependence theory affect organisations engaged in relationships (Hunt & Morgan, 1999). This theory holds that firms are reluctant to enter relationships as they regard relationships as liabilities. They also fear a loss of power in decision making as a result of being resource-dependent on other parties.

2.9 Conclusion

This chapter traced the evolution of relationship marketing. It was evident that a relational orientation to marketing existed in pre-industrial society as a trading interaction between producers and consumers encouraging co-operation, accountability, reliance and trust. A transaction orientation of marketing prevailed during industrialisation as a result of mass production that led to an oversupply of products and encouraged the use of the middlemen. The re-appearance of the relational approach to marketing is essentially caused by the return of direct producer to consumer marketing, which called for a change in the paradigm of marketing theory. The exchange paradigm was regarded insufficient in rationalising the growing trend for the interaction between producers and consumers. A relational approach to marketing is based on value creation rather than value distribution.

This chapter illustrated the important issues in applying a relational approach to marketing, incorporating some of the industrial examples. To conclude, due to the continuously high-competition between hotel organisations resulting in undifferentiated products, advanced and new managerial techniques should be developed in order for organisations to penetrate the market and gain higher market share. Despite the obvious potential of relationship marketing and its widespread popularity, it is still at an ambiguous theoretical development and empirical phase. Its economic and organisational issues remain to be clearly addressed. Key dimensions of relationship marketing and the activities involved in applying it are discussed in the next chapter.

3 Chapter Three: Implementing Relationship Marketing

3.1 Introduction

This chapter looks at the activities involved in implementing a relationship marketing strategy. It discusses the key dimensions of relationship marketing. It emphasises the analysis of customer relationships and refers to customer's profitability and lifetime value. It also puts forward some industrial examples of applying a relational approach to marketing.

3.2 Key dimensions of relationship marketing

3.2.1 Market segmentation

The application of relationship marketing is associated with some major strategies. Market segmentation is a pre-condition for relationship marketing, as for any other type of marketing, as customer relationships are costly.

The transaction orientation of marketing in the industrial era was associated with marketers' interest in the sale and promotion of goods. This was heightened during the Great Depression of 1929. Marketers were faced with the pressure of finding and persuading customers to buy their products (Peterson, 1962). The benefit of repeat business by customers was critical during the latter period of the industrial era. Due to mass production and oversupply of products it was necessary to cultivate brand loyalty. In order to foster a brand image, brand differentiation and effective advertising, certain marketing techniques emerged. For example, the development of market segmentation and targeting became important tools for planning marketing (Sheth and Parvatiyar, 1995b). As competition intensified, marketers realised the advantage of focusing on specific groups of customers to whom they could direct their marketing programmes to help differentiate themselves from their competitors.

Up until the second half of the 1980s, market segmentation had to depend on the provision of geo-demographic data. Currently, market segmentation tends to rely on a wide choice of segmentation models based on both census and behaviouristic criteria. There is much additional benefit to be gained from using behaviouristic data based at an individual level to achieve a higher level of detailed knowledge about customers (Kotler, Bowen and Makens, 1996).

According to Gordon (1998), marketers need to acknowledge that market segments no longer exist in the way they learned. This is because buyers have increasingly become hard to classify using demographic, psychographic, attitudinal or lifestyle models. Gordon (1998) added that buyers seemed to do unusual things. Some cutback or postpone spending money in particular areas and then buy intensely in others. A number of consumers, in a historically defined segment, are more receptive to media than others and some are more price conscious whilst others are more sensitive to service. However, a categorisation based on actual buyer behaviour could be more meaningful. In other words, it is about what people or businesses buy rather than the fundamental motives of that behaviour. Thus, there are no market segments, only individual customers. Even as business-to-business marketers have long acknowledged the importance of relationships associated with the purchase decision, consumer marketers have paid more attention to segment-based marketing principles.

Gordon (1998) stated that the traditional market segmentation paradigm required grouping of customers with similar needs into segments to ensure that customers would benefit by receiving more suitable goods and services than they would if in a single mass market. When viewing any market, the idea of a single market for a particular service or product appears to be of limited utilisation. All markets consist of market segments, even for standardised

services or products. Companies are increasingly attempting to differentiate their offers to appeal to different market segments (Christopher et al, 1991).

Market segmentation was the subject of interest for both authors and practitioners in the 1980s. However, in some practices it has been mistaken for product segmentation or branding. A distinction made by Sheth (1977) and Sampson (1992) attributed the term “segmentation” to the grouping of people and the term “typology” to that of items such as product, brands, etc. Busch and Houston (1985) considered market segmentation as the mechanism employed by organisations to adapt their marketing strategies to match the unique characteristics of different customer groups. Christopher et al (1991) described market segmentation as a process used to break down the market into a ‘series of sub-markets’. They suggested that the approach to market segmentation is based on the identification of segmentation criteria, the allocation of market segments and finally the provision of an appropriate level of service.

Hansman and Schutjens (1993) argued that the main purpose of segmentation is to create a marketing strategy that effectively identifies consumer groups that are homogeneous with common purchasing patterns. They added that due to the dynamics of supply and demand for consumer products, the need to update the classification of market segmentation is essential. Furthermore, in some businesses a lot of effort has been devoted to identifying new target markets based on cross-sectional analysis.

Research from the Harvard Business School outlined a number of areas affected by the electronic revolution. Among these areas lies market segmentation (Storbacka, 1997). It might be appropriate for a company to adopt a relationship marketing strategy towards some of its customers but this strategy has to be pursued in a variety of ways relative to the

identified needs of specific customers. Thus a market segmentation approach to relationship marketing should be undertaken in order to identify actual and potential profitable customers. The resources the company believes it should allocate to the relationship are subject to its estimate of the value of each customer's likely business. Accordingly, its policy towards other customers is based on the recognition that they are not highly interested in a relationship or they are of less value to the company.

Furthermore, according to Gordon (1998), relationship marketing as a strategy should consider the following:

1. Identify the customer mix and the level of resources to be dedicated to each customer. Customers' profiles should be identified in terms of which customers the company will reward, invest in, fire or discipline.
2. Acquire customer-specific objectives and strategies that are unique to each customer.
3. Develop and implement integrated strategic capabilities in order to guarantee that customer-specific objectives are effectively achieved.

This approach not only emphasised the identification of the customer mix but also the identification of the resources level that could be committed to each customer. It supported the notion of one-to-one marketing by suggesting the close investigation of each customer's profile in order to determine which customers are relationship-worthy. Furthermore, it calls for designing customer-specific objectives that are exclusive to each customer according to their different relationship status.

3.2.2 Additional models of segmentation

From the literature, it was apparent that market segmentation and relationship marketing should be two integrated approaches. Additional models of segmentation such as loyalty, profitability and lifetime value are of great importance when relationship marketing is concerned.

Loyalty segmentation, according to Christopher et al (1991), is concerned with the classification of customers into groups of very loyal, moderately loyal, loyal and non-loyal. Each could then be investigated in respect of other common characteristics.

In order to group customers according to their product loyalty, it is necessary to consider such criteria as 'user status' and 'usage rate'. Kotler, Bowen and Makens (1996) broke down user status into five categories: non-users of a product, former users, potential users, first-time users and regular users. They argued that two different marketing approaches are required to be directed to potential users and regular users. Light-users, medium-users and heavy users are categories used to identify usage rate. This is shown in Figure 3.1.

Loyalty concepts are seen to be particularly important to the hotel industry. This is due to the industry being highly competitive, with little product differentiation and to the saturation in market segments. Product differentiation, according to Payne and Frow (1999) is one way for companies to differentiate their offer. However, in the increasingly competitive environment, product features are frequently and rapidly copied.

Figure 3.1 User status and usage rate categories

copyrighted image removed

Adapted from Kotler, Bowen and Makens (1996).

Consequently, many companies are redirecting their emphasis to customer service as a means of gaining competitive advantage. Stone and Woodcock (1995) emphasised the monitoring of customer loyalty to gauge the impact of applying the concept. They suggested using customers' feed back to evaluate the company's benefit gained from the implementation of relationship marketing.

In an attempt to develop the concept of relationship marketing and segmentation, a model that divides customers according to their usage rate, frequency, loyalty and life-time value was developed by Osman, Bowie and Hemmington (1998). The aim of the model (Figure 3.2) was to explore the possibility of taking market segmentation as an approach to relationship marketing in the hotel industry. It was thought that combining the previously mentioned

variables could help to identify customers' profiles in terms of their value to a company. In other words, knowing customers' usage volumes and usage patterns as well as how loyal and valuable (throughout their years of consumption) they have been, could provide useful information to companies upon which a relational or a transactional approach to marketing could be directed to customers.

This model is based on four variables: 1 volume, 2 frequency, 3 loyalty and 4 lifetime value. The first variable is the volume of usage i.e. light users, medium users and heavy users. The second variable is the frequency of use i.e. infrequent, occasional and frequent. Since each of these segments can include infrequent, occasional or frequent users it is not unusual to cater for a meeting planner with high volume purchases on an infrequent basis.

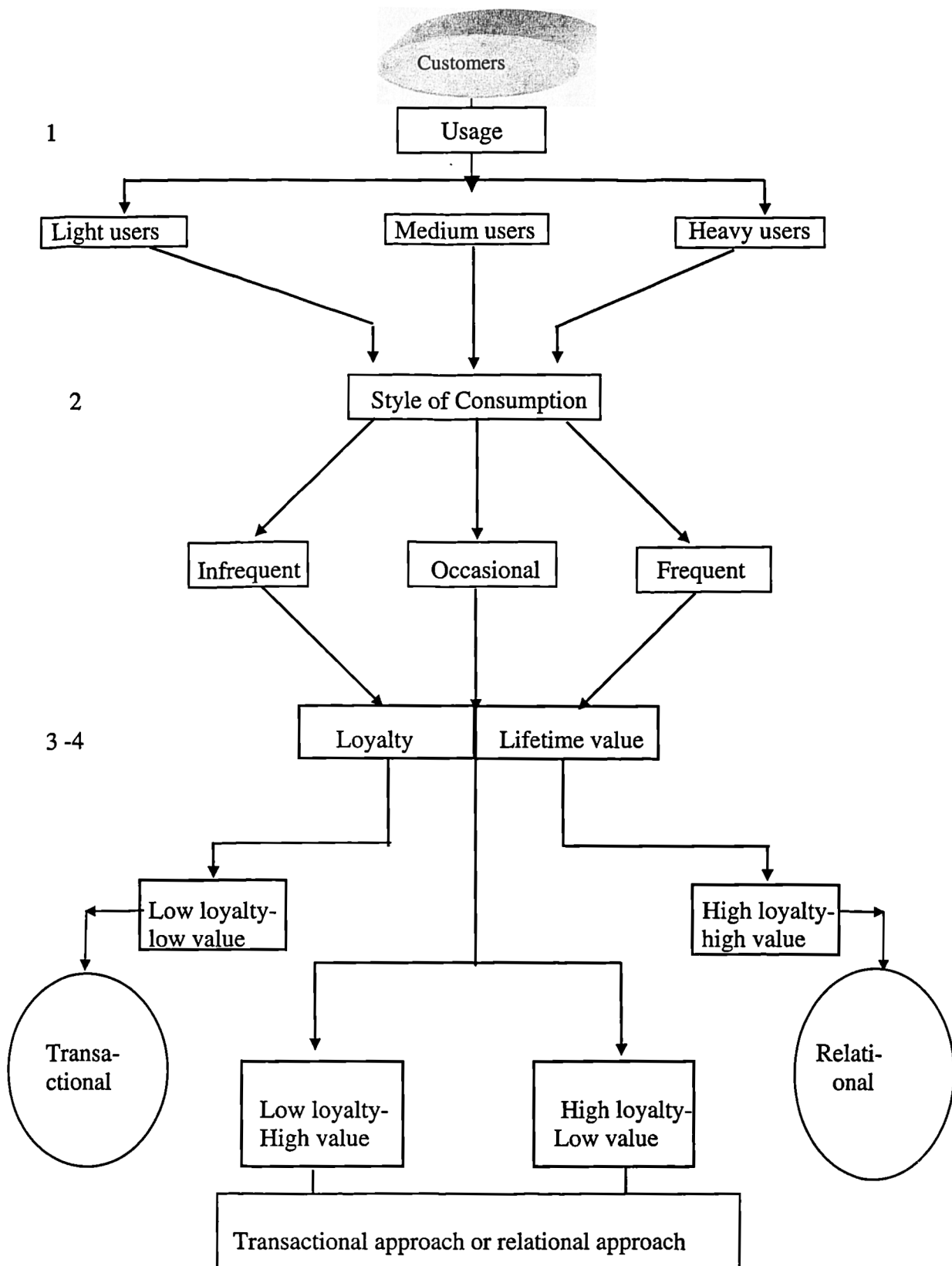
The second variable is developed to help gauge the frequency of each of the previously segmented users. It was seen to be useful to identify how frequently each segment uses the organisation to help examine loyalty and lifetime value and then to decide whether a relational or a transactional approach is appropriate. Hallberg (1995) argued that brand profitability is the outcome of the profitability of all customers whether they buy or not. In other words, some customers can account for a loss despite the fact they do buy the brand. The reason is that marketing and other cost-to-serve expenses are higher than the profit margin. These customers can be presented in the model by infrequent, light or medium users with low loyalty-low value (like a conference attendant who stays in a hotel for a short period of time and might not return back to the same place once the event is through) or occasional, light or medium users with high loyalty-low value (like a customer who visits the health club in a hotel and uses the bar or restaurant every once in a while).

Loyalty and life-time value are the third and fourth variables in the model. It is clear that high loyalty-high value is the most profitable segment and therefore where a relational approach should be directed. In addition, low loyalty-low value is a segment with low lifetime value to which a transactional approach is seen to be appropriate on the margins available. Low loyalty-high value and high loyalty-low value are the two segments where a hotel company could be unclear about whether to build long-term relationships.

One might argue that applying a relational approach with a heavy user, infrequent meeting buyer (the first example) could develop loyalty and might encourage cross selling, and therefore increase profitability. On the other hand, an infrequent customer who might buy once in three years could be the focus of wasted marketing efforts. In this case a transactional approach would be more appropriate. According to Gronroos (1997), it is important to examine whether a customer is more profitable and therefore suitable for a firm to develop a relational strategy with, or whether the customer is less profitable and so a transactional approach should be developed.

As stated before, low loyalty-high value and high loyalty-low value represent two uncertain market segments. A low loyalty-high value customer could be a prospective loyal customer with whom a relationship effort and resources are worth spending, while high loyalty-low value market segment could place financial strains on the company if a relational approach is directed to them. It is up to the hotel company to foresee the potentiality of each of these two segments in accordance with their organisational objectives.

Figure 3.2 Segmentation model based on usage, frequency and loyalty and lifetime value



(Osman, Bowie and Hemmington, (1998). Adapted from Kershaw (1998); Christopher (1992); Gronroos (1994); and Storbacka (1997)).

3.2.3 The interaction approach

In an attempt to explain the relationship between suppliers and consumers in a business-to-business context, the IMP group of researchers introduced the Interaction Approach model. The model is based on a study of relationships between companies engaged in the sale and purchase of industrial products (Yorke, 1990). The IMP group, with some twelve researchers from Italy, Germany, Sweden, France and the UK, carried out research which significantly contributed to the literature on industrial marketing. The IMP group tends to adopt a strong qualitatively driven approach. Ford (1990) argued that their work depends more on listening to managers and developing ideas than assembling quantitative analysis derived from questionnaires. The IMP approach equally emphasised the characteristics of both the buyer and the seller and is particularly worth noting as some of the more dominant models of buyer behaviour concentrated on the buyers' side of the transaction. According to Ford (1990), the IMP group emphasised the importance of understanding both the buyer's and the seller's perspectives and of developing appropriate managerial actions for specific relationships.

The IMP group introduced the interaction approach to industrial marketing literature. It is based on a number of factors built on results from empirical studies which have proved significant in industrial markets. These factors are firstly that both buyer and seller are active participants in the market. Each party searches for a suitable buyer or seller, develops specifications of requirements or offerings and monitors the transaction process. Secondly, the buyer-seller relationship is close, long term, and comprises a complex set of interactions between and within each organisation. In this case the main aim is to maintain the relationship rather than to perform a straightforward sale or purchase. Thirdly, the buyer-seller relationship becomes institutionalised into a set of tasks or duties that each party expects the other to execute. As a result, organisations require considerable adaptations in their operations in order to maintain a long-term relationship with the other party. However, a

relationship can involve both discord as well as co-operation. Fourthly, close relationships are characterised by the continuous supply of the raw material or components. Nevertheless, it was asserted that previous purchases are also significant to consider (Christopher et al. 1995).

According to Hakansson (1982), the Interaction Approach challenged the following:

1. The philosophy of the traditional marketing mix which suggests an active seller and a passive buyer.
2. The discrete nature of buying behaviour theory.
3. The changing nature of the relationship between supplier and customer.
4. The independent notions of the study of selling and buying.

The IMP model focused on the maintenance and development of relationships based on the activities of both parties, taking into account the changing nature of external forces incurred over a period of time. It therefore conforms to the need to practice a relationship marketing approach on the part of the suppliers. Furthermore, it emphasised the role of the consumer in engaging in the relationship. In addition, it stressed the significance of the atmosphere surrounding the development and maintenance of the relationship.

In an attempt to develop a relationship marketing guideline for companies, Kotler, Bowen and Makens (1999) introduced the main steps to introduce a relationship marketing program to a company. Their model stressed relationship management as the key to build customer relationships with the 'largest' or 'best customers'. It is about converting the company's current sales people into, or replacing them by, relationship experts. This can be achieved through training in relationship management. Each relationship manager would be responsible for a key customer or a few relationships. Job descriptions for relationship

managers should also be developed in order to clarify the objectives, responsibilities and evaluation measures of relationships. Annual and long-range customer relationship plans are to be developed by each relationship manager. These plans should involve goals, strategies, actions and resources. Finally, an overall manager should be appointed to monitor relationship managers, advance job descriptions and develop evaluation criteria in order to raise relationship manager effectiveness.

3.2.4 Value creation

Buttle (2000) introduced the Customer Relationship Management (CRM) value chain model suggesting that an organisation should build long-term, mutually beneficial relationships with its 'strategically-significant' customers. He argued that not all customers are strategically significant, as it could be too expensive to acquire some customers and meet their needs and wants. Buttle (2000) categorised strategically significant customers into four groups:

1. 'High lifetime value customers': ideal to receive customer retention efforts.
2. 'Benchmarks': customers who are copied by other customers.
3. 'Inspirations': customers who stimulate change in the supplying company that could lead to the introduction of new products, enhance quality or cut costs. This group of customers is seen to have a low potential lifetime value as they are regarded as the most demanding of customers.
4. 'Cost magnet': customers who absorb an excessively high proportion of fixed cost.

Removing them could result in other smaller customers becoming profitable.

The CRM value chain model is based on two main components: primary stages and supporting conditions. The primary stages consist of five steps: customer portfolio analysis, customer intimacy, network development, value proposition development and managing the

relationship. Customer portfolio analysis aims to identify customers to whom specific value propositions will be directed. This is based on the notion that not all customers have the same value. Customers are analysed and sorted by their profit potential as opposed to volume. The customer intimacy stage is concerned with knowing and understanding selected customer segments or individual customers and creating a database system to be available to all members of the organisation whose activities influence customers' behaviour or attitude. The challenge here is to utilise the data acquired on customers to better understand the different aspects of their behaviour towards the company. The network-developing step is concerned with interacting and linking with employees, suppliers, partners and investors. For customer relationship management to succeed, it is important that companies invest in people, processes and technology on long-term basis. The network developed between the above members will lead to the delivery of the chosen value to the selected customers. The value proposition step involves the creation of value for both the customer and company. The final step is to manage the customer relationship. This process requires businesses to re-invent structures and processes in order to successfully implement customer relationship management with their strategically significant customers. Therefore, instead of a hierarchical structure and product managers, companies should commit to a flatter structure with empowered front lines and customer or market managers.

As stated by Buttle (2000: 3) 'it is clear that CRM solutions cannot be transplanted into any organisation in the absolute certainty that the business will flourish', supporting conditions are suggested necessary in order for success to happen. Supporting conditions encompass a supportive culture and leadership, a procurement process, human resources management processes, information technology management processes and an organisation's design.

This model provides a comprehensive approach to implementing customer relationship management. It encompasses the most essential components of relationship marketing such as getting to know the customer, developing networks, delivering chosen value to selected customers and managing the relationship. It places emphasis on the need for supporting conditions such as organisational culture; people management, information technology and organisation design in order for profitable, long-term customer relationships to be developed and maintained. Unlike other models, the value chain model combines what constitutes relationship marketing (presented in the primary stages) with what it is important for a company to have, develop or change in its environment in order to support the development of the relationship (presented in the supporting conditions).

3.2.5 Interdepartmental relationships

Network development, with customers, employees, suppliers and partners is a primary stage introduced in the CRM value chain model. Network development with employees is of particular significance to this study as it attempts to investigate the interactions between customers and staff members in the hotel industry. Cross-unit working relationships are seen to be essential to the efficient execution of relationship marketing strategy (Hutt and Speh 1995). Kotler (1992) asserts that, the development of interpersonal relationship networks is critical to the managerial ability to form a strategic course and that the quality of these relationships is a major determinant of managerial effectiveness. Kanter (1989) emphasised that the ability of managers to achieve organisational objectives depends more on the number of networks in which they are involved than on their position in the hierarchy.

Organisational processes derive from a set of historical interactions that have been established and developed and these interactions lead to recurring sets of behaviour (Hutt, 1995). As a

result, a further dimension of structure emerges, becomes a part of the organisation and amends the boundaries within which the organisation's strategy decisions are made.

In order to discuss interdepartmental working relationships, operational barriers have to be considered. Turf barriers (Ashforth and Lee, 1990), interpretative barriers (Dougherty 1992), and communication barriers (Zenger and Lawrence, 1989) are three types of operational barriers seen to be important in shaping interdepartmental relationships:

- Turf barriers, also referred to as functional territory (Hutt, 1995). They represent an area of authority or expertise, specific task or particular access to resources.
- Interpretative barriers shape departments as identities of different 'thought worlds' (Dougherty, 1992). Each deals with different sides of a problem and develops a different perception of the total. Furthermore, these different 'thought worlds' may introduce a potential for conflict, political manoeuvring and defensive behaviour across departments.
- Communication barriers are reflected when staff members fail to interpret, understand or respond to information or a coded language develops across the units. Those members who are not familiar with the coding scheme are likely to distort or misinterpret information and have difficulty communicating with other departmental members.

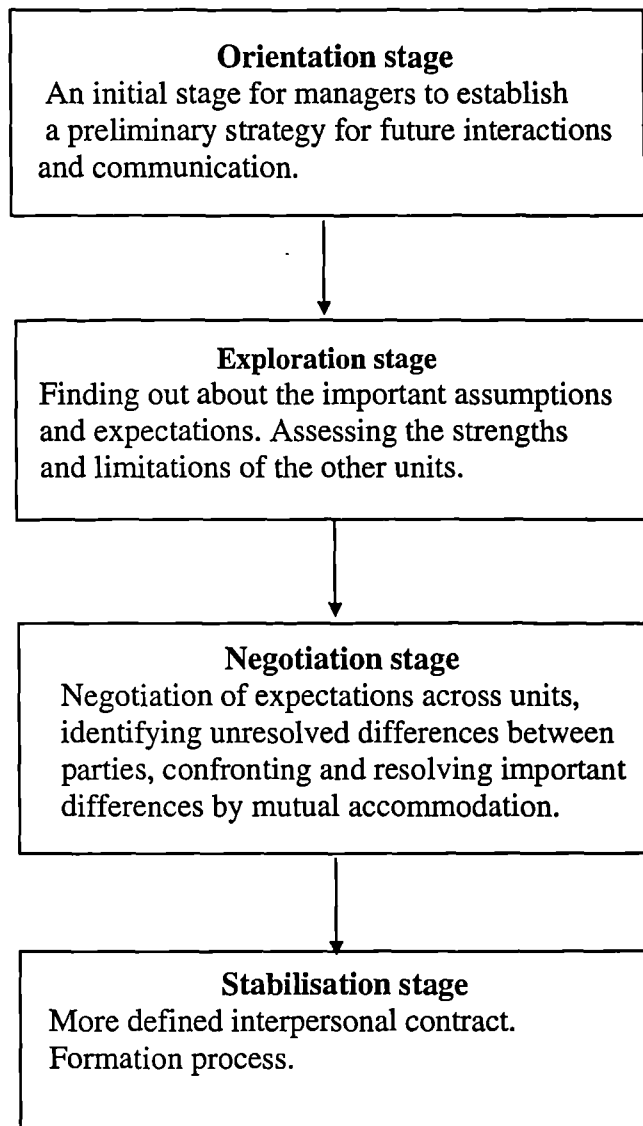
An essential challenge for a marketing manager is to reduce interdepartmental conflicts in applying a relationship marketing strategy while encouraging common appreciation of interdependencies. However, Hutt (1995) argued that, although creating a complex network of contacts and developing a unity between supporters beyond their functional unit is an essential task of marketing managers, limited attention has been paid to the nature of these internal working relationships.

The nature of a marketing unit's relationship with another unit is controlled by: the degree to which the units exchange information and resources; the frequency of communication between members in both units; the extent to which standard operating procedures are used to regulate cross-unit relationships; and the degree of difficulty in cross-unit communication (Van de Ven and Ferry, 1980; Ruekert and Walker, 1979). Defined strategies and stable organisational routines allow marketing managers to develop working relationship networks with managers and executives of other functional areas at different levels of the organisational hierarchy. Some of these relationships are close and intense while others are temporary and less enduring.

Therefore, the established order of working relationships is constantly changing (Hutt, 1995). According to Gabarro (1987) and Altman and Taylor (1973), working relationships are characterised by openness, trust and self-disclosure through role expectation and task-specific competence.

Interdepartmental relationships can develop across certain stages (Hutt, 1995). These stages are shown in Figure 3.3.

Figure 3.3 Interdepartmental relationships



Adapted from Hutt, 1995

However, despite the amount of research carried out into the development of cross-unit relationships (e.g. Kotler, 1992; Kanter, 1989; Hutt, 1995) the relationship formation process still needs to be researched. This includes research into: the role that communication, trust and influence play in this process; conflict diffusion strategies at various stages of a relationship; and the effect of different organisational designs on the evolution of a relationship.

3.2.6 Trust and commitment

In their study of relationship marketing that highlighted customer loyalty, Bowen and Shoemaker (1998) introduced the Model of Service Relationship (MSR). Unlike other models, MSR focused on business-to-business relationships. This model examines the relationship between a service company and its end user. It takes trust and commitment as two essential components to relationship marketing. Bowen and Shoemaker (1998) defined commitment as the 'belief' that both parties share in that they are willing to maintain the relationship. They implied that committed partners are ready to offer short-term sacrifices in order to achieve long-term benefits. According to Gundlach et al. (1995: 78), commitment is 'an implicit or explicit pledge of relational continuity between exchange partners'.

Bowen and Shoemaker (1998) viewed commitment as reliant on trust. They argued that trust is essential to commitment and to the maintenance of long-term relationships. Trust has been defined according to Moorman et. al (1992) as the likelihood of one party to rely on the other. Morgan and Hunt (1994) asserted that trust is a key element in developing long-term customer relationships. They suggested that marketers should endeavour to preserve existing relationships, resist short-term temptations and presume that their relationships with their partners are not based on opportunistic behaviour. Gilpin (1995) added that trust involves all elements of the marketing and operational functions in order to guarantee that the rate negotiated with the customer is the best available. It involves understanding customer needs, being able to fulfil those needs and finally a readiness to help. Furthermore, Sullivan and Peterson (1982: 30) provided a useful perspective on how trust works between partners. They stated that, 'when the parties have trust in one another then there will be ways by which the two parties can work out difficulties such as power conflict, low profitability, and so forth.'

In this model, Bowen and Shoemaker (1998) depicted their views about how natural opportunistic behaviour and reactive opportunistic behaviour can negatively affect trust. The former can be explained as the opportunity of one partner to seek an advantage over the other, while the latter can be a result of lack of commitment. They proposed that partners involved in a relationship should control their opportunistic behaviour and suppress the need for a single-sided advantage. Rather they should move towards a mutual-interest approach.

On the other hand, the model indicated that benefits, fair costs, switching costs and understood values and goals relate to commitment. Thus, commitment leads to product use and voluntary partnership that in turn leads to maintaining the relationship. Bowen and Shoemaker (1998) concluded that benefits offered to customers, such as upgrades and frequency points were found to be the first essential element of customer loyalty, while trust comes second. They argued that the reliability measures of trust are important, as they are difficult to duplicate by competitors.

This model clearly identified the most important features required to build up customer loyalty. It incorporated commitment and trust as two integrated issues that complement each other in the development of loyalty. It introduced reactive opportunistic behaviour, natural opportunistic behaviour and uncertainty as factors that could inhibit loyalty. However, having mentioned the behavioural inputs of loyalty, concern should equally be mentioned (Buttle, 1996). A concern to meet or exceed customer expectations and produce satisfaction or delight is an important input of any relationship marketing policy. Gilpin (1995) provided an example for concern played by one of the hospitality industry's leading chains, Marriott Corporation. They have a global Central Reservation System (CRS). After having realised that their customers preferred the personal interaction at their chosen hotel, a personalised CRS was created to handle customers' reservations and queries. In addition, dialogue is seen

by Peppers and Rogers (1995) as an equally important component to commitment and trust. They regard dialogue as an interactive behaviour that allows marketers to generate customer knowledge and develop means of meeting their expectations.

3.3 Practice in industry

Progressive companies in all service sectors that face heterogeneous competitive markets now adopt some form of relationship marketing. They have realised the fact that it is more profitable to retain loyal customers than to spend more marketing efforts trying to attract new customers or generally restrain customers' turnover. Examples of some leading companies who have previously launched some form of relationship marketing are as follows (Buttle, 1996): British Airways' Executive Club has witnessed an enormous growth from 100,000 to 1.3 million members in two years since launch; a customer's flying history, preferred seat and whether he/she is smoker or not is obtained from database system that is linked to the card.

Applying relationship marketing, Renault UK market share increased by 2% from 1988 - when the concept was first applied - to 1992. Techniques used by Renault ranged from sending "thank you" notes to providing special services and offers. Furthermore, by using direct mail with special offers, on a regular basis to young mothers, Nestlé's baby-food demonstrated belief in relationship marketing and the company's market share grew from 20% in 1985 to 40% in 1992.

Due to the application of discounted airline fares and intensive promotional -campaign strategies in the 1990s, airlines suffered competition that created a threat to their profitability and market share. Some airline companies realised that in order for them to overcome these problems a relational approach to marketing should be pursued. This approach focused on

customer satisfaction, customer loyalty and retention and long-term relationships to lead to increased sales and profits.

Evidence from the literature pointed out that relationship marketing is perceived to be associated with the provision of frequent guest or loyalty programmes (Rivers et al 1991; McCleary and Weaver 1992). Such programmes were seen beneficial to companies' operations management in that they provided them with information on their individual customers and their product consumption. However, Gilpin (1995) argued that this misinterpretation of relationship marketing *calls for a more behavioural and integrated* managerial approach to facilitate the implementation of change.

FFPs (Frequent-Flyer Programmes) were applied to reward loyal customers for their usage of new routes or for flying in off-peak periods with free air miles. Air mileage redeemed can be used to subsidise the cost of future travel. FFPs were first introduced by US carriers. The American Airlines Advantage programme was launched in May 1981 and became the industry standard frequent flyer programme. Ten years later FFPs were adopted by non-US airlines and British Airways launched Latitudes in April 1991, due to increasing competition (Gilbert, 1996).

However, it was argued that airline businesses encountered difficulties associated with the application of relationship marketing. Among these difficulties was the inability of some airlines to take into account unredeemed air mileage and a failure to convert this into potential new business, the scarcity of competitive advantages due to increased competition and the negligence of third parties to follow industrial guidelines (Gilbert, 1996).

Furthermore, FFPs are posing a probable threat to airlines, particularly those with large capacities. The rise of competition forces companies to increase such schemes which can dramatically affect profitability. It is argued that in a situation of increased redemption of air miles that companies will face high risks in profit margins. The emphasis now is placed on other techniques of relationship marketing such as the provision of personalised services, service improvement, customer-communication and the assessment of customer lifetime value in order to track their history. One of the relationship marketing approaches applied by airlines is market segmentation. This is vital due to the diversity of the airline markets, as each market segment needs different promotional tools.

Banks spend a lot of money to attract new-student accounts. These types of accounts do not contribute profit on a short-run basis, but in the long-run the increasing levels of income, higher balances, lending services and insurance commissions will result in profitability (Murphy, 1996). The cost of customer research, advertising, promotion, sales, staff, time incentives, account opening and administrative costs are seen to be irredeemable within the first six years of the relationship with a customer. Relationship marketing in retail banking, according to Murphy (1996), focuses on changes in organisational culture and capabilities, understanding customers' individual preferences, expectations and changing needs and viewing customers as people with many interests rather than as mere users. The financial institutions' approaches to apply relationship marketing emphasises customers' lifetime value, two-way customer communication and personalised, individualised customer-interaction. Market segmentation and service quality are also vital points in retail banking practices of relationship marketing.

Morgan and Hunt (1994), looked at relationship marketing from a different perspective.

They referred to the fact that relationships may not, in some cases, involve customers. In the strategic network competition, such as in the strategic alliance between IBM and Apple, they are resource-exchange partners without an identified buyer or seller. In this case, the concept of relationship marketing has extended to involve all types of relational exchange.

Gummesson (1999: 3-4) provides some examples of industrial situations where relationships are essential:

- Christer, who runs the highly admired and locally well appreciated Ulla Winbladh Inn, Stockholm, Sweden, lives in his apartment above the restaurant and so is always present. He ensures everything runs efficiently by keeping a close watch on employees and guests. He has developed good relationships with the customers he knows well. 'You must like your guests, if you don't, the job is impossible' he says.
- Motorola, Ford, and Procter & Gamble have set an example for companies trying to develop a closer link with a limited number of suppliers. In the 1990s, Motorola cut down the number of suppliers by 70 per cent, Ford by 45 per cent. The world's largest packaged consumer goods producer, Procter & Gamble has joined with Wal-Mart, the world's largest retailer. Together they have developed an information system that coordinates online the production and delivery of goods with the sales in stores.

Morgan and Hunt (1994), identified the approach taken by some industries to incorporate relationship marketing in their competitive strategies. The example given was Ford in the auto industry. Engaging in ongoing relationships with a small network of suppliers, Ford realised that resources could be efficiently acquired. Buying equipment through several,

short-term transactions or producing them in house was no longer needed (Taylor, 1994). Gradually, Ford adopted an integral approach to combine the raw material division, parts division, advertising department, assembly division and company dealership into its structure. By 1980, the world recognised Ford as one of the most highly integrated companies in the auto industry. Through integration, the company gained the following advantages:

- Reduction of transaction costs by not having to deal with independent suppliers and elimination of the risk of opportunistic behaviour.
- Increased autonomy by having more control over resources.
- Greater co-ordination of departmental activities.
- Enhanced long-term production forecasts.

Similarly, manufacturers in the U.S. automobile industry realised the importance of the relationships that their dealers establish with consumers. Such relationships lead to the acquisition of the information resources of their manufactures enabling them to metamorphosise (Brandweek, 1995).

Heil, Parker and Stephens (1997) emphasised a one to one approach to customer relationships and presented an example from Nordstrom, a large department store in the US, to support their view. At Nordstrom an individualised service is offered to individual customers. ‘ Any department store can sell cloth but, at Nordstrom, the actual selling seems almost incidental. Its real business is forming intimate relationships with customers’ (P. 28). The one to one approach taken by Nordstrom influenced customers to attach a message to their car license plate holder saying ‘I would rather be shopping at Nordstrom’ (P.29). This passionate loyalty, inspired by the approach taken by the stores resulted in customers carrying

advertising messages. This type of loyalty was encouraged by the behaviour of salespersons in the stores. A salesperson doesn't simply perform a sale, he or she acts like a relationship manager who devotes time to know and understand each and every customer. This has resulted in a high level of customer commitment used as a benchmark. A quote in the Los Angeles Times by the City Council said, 'the Los Angeles government would become the 'Nordstrom' of city government' (P.29).

3.4 Analysing customers' relationships

Based on a review of literature on analysing customers' relationships, Gummesson (1992) suggested two perspectives to analyse relationships: the relationship perspective and the interaction perspective. The relationship perspective revolves around the constituents of the relationship: how it is structured, the types, numbers and frequency of the interactions incurring in the relationship. While the interaction perspective involves a design and production point of view. It depends on how discrete interactions with customers are planned and produced. Gummesson (1992) emphasised the need for understanding both perspectives in order to understand customer relationships and that this understanding affects the relationship's quality, productivity and profitability. However, it can be argued that customer interaction is an inseparable component of the relationship. Furthermore, the quality of an interaction can have a great deal of influence on the relationship. This can be supported by the contradiction that appeared in the way that Gummesson (1992) separated the two perspectives, as he placed too much emphasis on the interaction process while still describing the relationship perspective to be inseparable.

In an attempt to analyse the nature of customer relationships, three complementing views are incorporated together to form a framework for the nature of a customer relationship. Ingene (1984) suggested that a customer's input to a relationship can be broken down into the time

they dedicate to the relationship, the monetary value involved in the interaction and the psychic effort associated with the customer's 'nervous energy' given to the relationship.

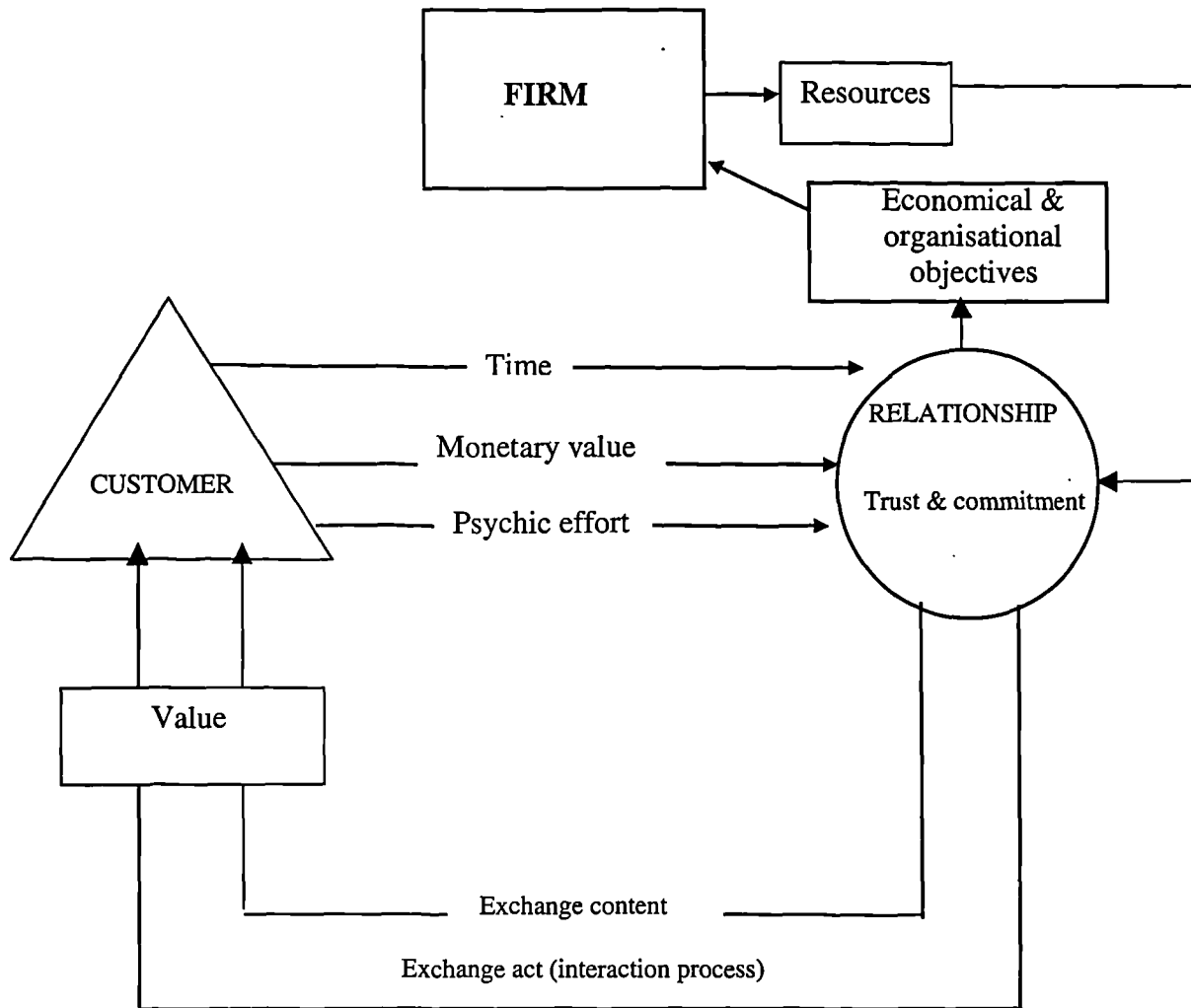
Houston & Gassenheimer (1987) added that values obtained from the exchange content and the interaction process can be viewed as the customer's benefit out of the relationship.

Storbacka (1995) supplemented the two previous views by presenting the relationship input and output from a firm's perspective. He viewed the inputs in terms of the resources available to the firm to acquire a relationship with the customer and the outputs as the economical results and achievement of organisational objectives (customer loyalty). The three authors' views can be combined and depicted as shown in Figure 3.4.

Figure 3.4 illustrates the fundamentals of the customer-firm relationship. It provides the basis for understanding the relationship structure that can help the analytical process. It suggests that a firm utilises its resources (input) to build customer relationships to help achieve economical and organisational objectives (output). On the other hand, the customer inputs time, monetary value and psychic effort to the relationship in order to receive value through the interaction process and the exchange content (output).

This approach seems consistent with that of the IMP networks as both lay emphasis on the role of each party in the development of relationships. In other words, both approaches stress the notion that both buyer and seller are active participants in the relationship.

Figure 3.4 Relationship inputs and outputs: firm and customer perspectives



Adapted from views about the nature of customer-firm relationships by Ingene 1984; Houston & Gassenheimer 1987 and Storbacka 1995.

Customer relationships can be attributed to three levels as viewed by Storbacka (1995): the interaction level, the relationship level and the customer base level. The interaction level can be made successful by introducing profit-generating techniques along with an effective presentation. Such techniques are associated with the cost incurred by the interaction delivery and distribution channels. On the relationship level, customer loyalty and profitability are issues of great concern. Relationship quality enhancement is an ongoing

procedure that is necessary to keep up-to-date with ever changing customer expectations. The customer base level is described by Storbacka (1995) as the actual number of customers with whom the company has a relationship. It deals more with the strategic aspects of a company i.e. the allocation of resources to ensure optimum relationship delivery with regard to individual customers' requirements.

It is probably surprising that most organisations endeavour to identify the profitability of products rather than that of customers. It is customers that generate profits while products create costs (Peck et al., 1999). In an array of industries, a high correlation between customer retention and profitability was identified by Reichheld and Sasser (1990). They asserted that customer retention had a direct impact on profitability. In addition, a small increase in customer retention could produce a positive effect on profitability.

Shapiro et al. (1987) addressed the issues related to customer relationship profitability in industrial markets. He argued that, relationship profitability can be assessed by analysing the income generated by the customer account against the cost of managing and delivering the relationship. This approach can provide a model to be used to assess customer relationship profitability in hospitality markets.

Therefore, it can be emphasised that analysing customer relationship profitability keeps organisations informed of any fluctuations created by negative experiences or poor relationship delivery. This approach reinforces the durability concept of customer relationships in companies' long-term strategies. Kotler (1992) argued that not every customer is worth keeping. He added that, even a company's 'large customers' could fall into that group. This is because 'large customers' often require discounted services and

products which negatively affect a company's net yield. Hallberg (1995) considered the Pareto analysis of sales, or 80/20 rule, suggesting that for most customer segments one-third of the customers produce about two thirds, or more, of the sales volume. In addition, highly profitable customers are responsible for six to ten times as much profit as the non-profitable or low profit customers.

3.4.1 Profitable customers and life time value

Unlike the traditional view of marketing, relationship marketing is a philosophy where companies are trying to sell an individual customer as many products and services as possible. Peppers & Rogers (1994) argued that a single customer should not be viewed as a single transaction but as a continuum of transactions over a period of time. Peppers & Rogers (1994: 165) added that 'in contrast to the return on volume experienced in mass marketing, you can actually generate increasing marginal returns on sales to any individual customer, as your share of that customer grows. Then, as you differentiate your best customers and begin to concentrate more of your marketing resources on them, your average unit margins could increase as well.' Enz, Potter and Sigauw (1999: 54) stated that 'making more money involves more than targeting new customer segments and offering new services.' They argued that companies that target one or two well-defined customer segments and sustain a narrow mix of products are expected to have lower support costs than those offering many products to a varied customer population. Companies targeting many different groups of customers consume more resources in order to adjust their offer to meet the different needs and expectations of their diverse customer segments. On the other hand, companies that are narrow focused can dedicate their support staff, equipment, and procedures to a focused set of tasks. Furthermore, with a big range of products or services offered to a wide customer

population, more processing and delivery errors occur which results in escalating costs and dissatisfied customers (Enz, Potter and Siguaw, 1999).

According to Gronroos's (1994: 355) marketing is 'the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, this is achieved by a mutual giving and fulfilment of promises.' Also, maximising a customer's lifetime value requires organisations to increase their share in the customer's profitable interactions.

As 'not all consumers are created equal' (Hallberg, 1995: 4) some customers will appear to have a higher lifetime value and to be more profitable than others (Payne and Frow, 1999). Carroll (1992) argued that profitability improvement does not necessarily result from customer retention, as increasing retention of unprofitable customers can demolish profits. Nonetheless, Payne and Frow (1999) argued that unprofitable customers may eventually become profitable. Therefore, understanding the lifetime value of different market segments could enable organisations to concentrate on customers' long-term profitability and profitable customer groups.

Hallberg (1995: 8) stated that 'marketers cannot afford to be democratic'. He argued that customers' 'profit differential' is a more important segmentation criterion than demography, geography, lifestyle, psychographics or benefit sought. Acquiring an efficient information system about customers makes it possible for companies to calculate a customer's lifetime value. This can be based on identifying each customer's needs and wants, occasions of purchases, frequency of purchase, and potentiality of future purchases. Gordon (1998: 92) regarded the lifetime value of a potential customer as 'simply a projection of the customer's

expenditures minus the company's costs of producing the product (well known) and serving and supporting each customer (not as well known in most companies)'. However, this approach does not clearly specify whether the customer's expenditures have taken place in the past, take place in the present time or are to be estimated as future spend. In other words, the time frame in which the relationship takes place needed to be specified when customer lifetime value is concerned. Buttle (1996) suggested a useful approach to compute customers' lifetime value. He specified that an attempt to calculate a customer's lifetime value should be based on the following data:

'Cost of winning the customer; periodic cost of retaining the customer; gross margin earned from the first, second, third, fourth ... *n*th sale to the customer; probabilities that the customer will buy a second, third, fourth ... *n*th time; required rate of return for the company (in order to compute net present value); and numbers of purchases made by the customer from the company' (P. 6). He added that this data can be used as benchmarking data which could be helpful in assessing the effect of customer retention strategy. Furthermore, this data can be used to calculate the lifetime value of individual customers as well as segments of customers.

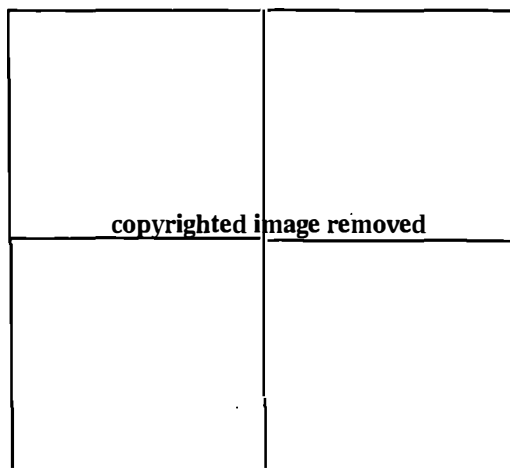
Gordon (1998: 45) stated that 'not all customers merit consideration by the firm.

Management is advised to assess which among the firm's current customer base merits a continued relationship and then size and align the business in accordance with the mix of customers on which the firm has chosen to focus.' He suggested that a number of factors should be considered in this assessment: the profitability of customers in terms of the costs to serve and the costs to sell and their profitability by product or product line; the historical, current and anticipated share of the customer's total spend; the evaluation of competitive value produced by customer relationships; customer retention measures; and customers'

contribution to the firm's strategic value e.g. offering the company new ideas, helping to position it for growth, improving the firm's image and reputation and managing costs.

Peck et al. (1999) suggested that a relational approach to marketing should be confined to customers with the highest profit potential who require customised services (the top right-hand quadrant, Figure 3.5). In contrast, low cost, transactional marketing strategies are best directed to customers with low profit potential and less customisation needs (the bottom left-hand quadrant, Figure 3.5).

Figure 3.5. What sort of relationship is appropriate?



Peck et al. 1999

Those customers who are high in actual or potential profit but for whom there are few opportunities to offering a tailored service (the bottom right hand quadrant, Figure 3.5) are suggested to present a potential loyal market segment if offered loyalty schemes or reward programmes. The customers in the top left-hand quadrant of Figure 3.5 are seen as less profitable users for whom a high level of tailored products or services is not well justified. Ways to increase these customers' profitability could be sought.

The matrix shown in Figure 3.5 suggests that there are different approaches to marketing to be taken for the different types of customers. It is appropriate to categorise customers according to their actual or potential profitability in order to decide whether or not a tailored/customised service offer should be developed. According to Payne & Frow (1999), marketing measurement systems are required to enable organisations to analyse their customer base, establish the profit potential within each customer group and then to develop customer service strategies. These strategies aim to retain the most profitable market segments. Identifying the potential profitability is considered to be a key process. Comparing increases of segment profit during a time period of interest can achieve this. Five or ten years are suggested as the possible time periods to measure 'the net present value of the future profit flows of the segment' (P.797).

3.5 Brand loyalty

Branding complements a product or a service with a distinctive identity. Seaton and Bennett (1996: 127) stated that 'branding does, at the level of the product, what corporate identity does at the level of the firm.' He added that branding has evolved in the field of packaged products through naming, packaging, trade marking, product design and promotion. As was the case with Beechams' pills, Cadbury's chocolate and Eno's salt, the early practitioners of branding, creating a brand resulted in a consistent image about a product in customers' minds. A successful brand, according to Hallberg (1995), is the one that through a small group of highly profitable customers has the highest market share. Accordingly, the brand leader is the supplier to whom the largest numbers of highly profitable buyers direct a greater share of their business. Enhancing the loyalty of those highly profitable groups of customers can only be achieved through differentiated marketing techniques. Relationship marketing helps companies to dedicate more loyalty-enhancing activities and designated resources to keep, maintain and prolong lifetime value of profitable market segments. Connell (1992) stressed

that branding helps to reduce the risk for customers resulted from the purchase of intangible hotel services. Furthermore, branding can create differentiation and facilitate positioning in comparative markets. It can also help hotels to maintain higher levels of repeat business particularly for the regular user groups.

However, due to the proliferation of the number of brands in recent years and the intensity of competition wars, it has become difficult for marketers to differentiate brands solely based on their utilitarian characteristic (Enz, Potter and Siguaw, 1999). Accordingly, a new paradigm of brand positioning and differentiation has been called for. Aaker (1997) introduced the concept of brand personality. Brand personality was defined by Aaker as a set of human characteristics or traits that customers attach to a brand. Upshaw (1995) pointed out that brand personality provides a more vivid, complete and alive product to customers. Enz, Potter and Siguaw (1999) emphasised that a well-established brand personality helps by creating a higher emotional bond to the brand, sustaining customer increased preferences and usage and enhancing customers' trust and loyalty. Generally, brand personality is about establishing meaningful, unique and vivid brand image in the minds of customers.

From the literature, it was concluded that the development of multiple brands in the hospitality industry is attributed to two motives: financial and a strategic (Crawford- Welch, 1990). The financial motive requires that firms should develop a set of business groups in order to stabilise their income channels. This approach is to be undertaken in order for organisations to reasonably achieve consistent returns to shareholders. Therefore, brands are thought to reinforce, support and supplement each other. Furthermore, it is less expensive to acquire a new brand concept than to renovate an existing property. A decade ago, studies in the United States suggested that over half of the current inventory in the accommodation industry was dated (Olsen, 1989).

However, there are some problems of hotel branding associated with consistency. Connell (1992: 26) stated that ‘ the very nature of the hotel product can work against the notion of brand consistency.’ It may not be difficult for a hotel company to gain market recognition through spreading the same name and mission statement across all of its hotel units.

However, it is impossible to maintain a high level of consistency in the behaviour of service personnel across the entire hotel group. As consistency problems are also confined to the provision of the physical product, Slattery (1991) attributed the brand problem in the hotel industry to a number of factors: the physical goods that shape the internal attributes of the hotel brand are often updated and eventually replaced by new products by the manufacturer; the internal attributes are difficult to change quickly and directly across the whole group of hotels; the demand patterns for individual hotel units within one brand is not consistent across hotels in the brand chain; and finally, it is difficult to achieve complete consistency in the physical appearance across the whole portfolio of hotels. Slattery (1991) introduced a set of features for a ‘soft’ and a ‘hard’ hotel brand as shown in Table 3.1.

Table 3.1 Soft and hard hotel brand features (Slattery, 1991).

Factor / Strategy	Harder	Softer
Use of same brand name across hotels	Yes	Yes
Level of physical product consistency	Higher	Lower
Level of service range consistency	Higher	Lower
Consistency in pricing	Higher	Lower
Level of national coverage	Higher	Lower
Consistency in type of hotel locations	Higher	Lower
Emphasis on national advertising and promotion	Higher	Lower
Reliance upon growth through acquisition	Lower	Higher

Factor / Strategy	Harder	Softer
Emphasis on product planning and development	Higher	Lower
Markets targeted	Higher national / specific segments	Lower local / range of segments

3.6 Conclusion

This chapter discussed the key dimensions of a relationship marketing approach. It laid emphasis on the activities necessary for its practice. It explored market segmentation, interactions, value creation, networking and trust and commitment as essential factors in pursuing a relationship marketing strategy. It then proceeded to discuss the significance of analysing customer relationships and considering profitability and lifetime value. Finally, it mentioned brand loyalty and referred to hard and soft branded products.

From the theory discussed in this chapter, it can be concluded that the need for segmentation is vital when relationship marketing is concerned. Dividing people who share similar characteristics into small groups makes it easier for an organisation to identify their preferences and expectations. The importance of segmentation is to have a better understanding of the market, of how different groups behave and to enable the organisation to achieve its objectives as a result of knowing to whom special products and services are to be directed.

The process of individualising the market is more significant than merely segmenting the market (Storbacka, 1997). From a profitability point of view, the attainment of a larger portion of the purchases of some individual customers is perhaps better than obtaining a larger number of customers in a particular market. The profitability of an individual

customer involves the amount and/or volume of purchases they make and whether or not the decision to purchase is a result of promotional incentive or motivated loyalty. Therefore, resources and time should be appropriately invested by marketers where the greatest return can be gained.

The next chapter discusses the methodology employed in this research to investigate relationship marketing practices in hotels and the effect hard and soft brands could have on customer relationships.

4 Chapter Four: Research Methodology

4.1 Introduction

This chapter provides a detailed discussion of the methodology used for this research. It discusses the rationale behind the research philosophy, justifies the selected approach and explains the research methods and techniques adopted in this investigation.

In discussing the research philosophy and rationale, this chapter refers to alternative research philosophies. It then proceeds to discuss the rationale for the use of a qualitative approach as a pertinent inquiry mode for social research.

Subsequently, the research design is depicted using Robson's (1999) model. A conceptual framework is then provided to demonstrate the researcher's initial methodological guideline. Research questions were formulated in line with the research objectives, followed by a summary of the primary research design and stages of investigation.

The research design asserts the value of utilising multiple research methods in order to ensure reliability of the data gathered. Difficulties and other issues associated with primary research are also discussed towards the end of this chapter.

4.2 Research philosophy

The distinction between positivist and interpretative research has been discussed in literature (Smith et al.1991; Buttle, 1999; Gilbert and Lockwood, 1999; Taylor and Edgar, 1999; Wood, 1999). The positivist approach to research lends itself to the formation and testing of preassumed research hypotheses. Through the deductive approach, often using quantitative research methods, positivists move toward the generalisation of research findings. Positivism is described to be a 'doctrine or belief that the only true knowledge is scientific in character,

describing the interrelationships between real, observable phenomena (whether social or physical)' (Wood, 1999: 5). Furthermore, positivists view the world to be external.

'Positivists believe that there is a real, immutable and historic world which exists outside the person' (Buttle, 1999: 233).

Taylor and Edgar (1999) stated that researchers with a positivist orientation focus on deductive research that helps to realise explanation through an analysis of causal relationships. This usually includes the production and utilisation of quantitative data that can be related to either physical or statistical procedures in order to facilitate hypothesis testing. They argued that 'if we accept the philosophical assumptions of positivism and its consequent epistemological prescriptions, we are invariably drawn towards the exclusive utilization of nomothetic methodology' (Taylor and Edgar, 1999: 20).

In contrast, the phenomenological approach to research focuses on the formation of a wider understanding of indefinite and multifaceted concepts. Phenomenologists move toward the adoption of inductive qualitative and exploratory techniques of research (Harrigan, 1983).

Phenomenology holds that 'knowledge of the world and beliefs about what is real are constructed socially in communication with other persons' (Buttle, 1999: 234). To achieve a thorough understanding of human action, the social researcher needs to identify, understand and interpret such meanings. Social behaviour and phenomena relate to human action, which is characterised as a variable rather than a rigid nature. This is predicated on the expression of shared meanings (Wood, 1999).

Yin (1993:57) argued that although qualitative research is typified as being a "soft" social science, concerned with "mushy" processes and managing inadequate evidence, while quantitative research is characterised as hard-nosed, data-driven, outcome-focused and rightly

scientific; qualitative research can also be hard-nosed, data-driven, outcome-focused and scientific. Equally, quantitative research can be “soft” and “mushy” and handle inadequate evidence. He added that these are characteristics of good and feeble work rather than a dichotomy of research types.

4.3 Selecting an approach

Selecting a research methodology depends on the type of information sought, from whom and under what circumstances (Robson, 1999). Given the exploratory nature of the subject and the fact that it is concerned with attitudes, relationships, philosophies and practices, a qualitative based approach has been adopted. Qualitative research is an investigation into peoples’ attitudes, motivations and beliefs. It provides rich descriptions of their feelings, meanings and interpretations given to events with their resultant behaviour (Silverman, 2000). Selecting a qualitative approach at an early stage of the study emanated from the need to look into individuals’ own interpretations of the meanings of the social situations in which they operate. Smith, Thorpe and Lowe (1991) asserted that qualitative research contributes to understanding the complexity of organisational problems. They added that this approach makes a contribution in revealing the texture of organisations, involving the activity interactions between managers, staff and customers.

The approach selected provides a methodical way to explore the issues involved in this study such as the company’s strategy to develop, maintain and enhance customer relationships; the management role in pursuing a relational approach to marketing and the interactions between staff and customers.

4.3.1 Employing ethnographic techniques

This research is applying a case study approach using ethnographic techniques. Ethnographic techniques were chosen to uncover some of the implicit rules and traditions of the sample group. The techniques were employed to develop a tentative theory about how the participants achieve the relevant actions taking place in the group (Robson, 1999). According to Hammersley (1991: 1), the term 'ethnography' is not clearly defined in common usage and there is often disagreement about what count and do not count as examples of it.

Furthermore, the meaning of the term overlaps with that of several others, such as 'qualitative method', 'interpretative research', 'case study', 'participant observation', 'life history method' and so on'. However, Fetterman (1989:1) defined it as follows: 'ethnography is the art and science of describing a group or culture. The description may be of a small tribal group in an exotic land or a classroom in middle-class suburbia.' He resembled the task taken by the ethnographer with that of an investigative reporter, who interviews relevant participants, investigate records, evaluates the credibility of people's opinions, searches for links to special interests and organisations and writes the story for the public and specialised colleagues. However, while the investigative reporter may seek out the unusual, the ethnographer writes about the routine and the patterns of human thought and behaviour. 'The ethnographer is interested in understanding and describing a social and cultural scene from the emic or insider's perspective' (Fetterman, 1998: 2). Hammersley (1991: 2) emphasised that 'ethnography is not far removed from the sort of approach that we use in everyday life to make sense of our surroundings.' Furthermore, it is less specific and technical in character than the experimental or social survey approaches.

The researcher applied the features of ethnography as outlined by Hammersley (1991: 1) as follows:

1. People's behaviour is studied in everyday contexts, rather than under conditions created by the researcher such as in experiments.
2. Data is gathered from a range of sources, but observation and/or relatively informal conversations are usually the main ones.
3. The approach to data collection is 'unstructured' in the sense that it does not involve following through a detailed plan set up at the beginning and the categories used to interpret what people say and do are not entirely pre-given or fixed. This does not mean that the research is unsystematic but simply that initially data is collected in as raw a form and on as wide a front as is feasible.
4. The focus is usually on a small number of cases, perhaps a single setting or group of people of relatively small scale. Indeed, in life history research the focus may even be a single individual.
5. The analysis of the data involves interpretation of the meanings and functions of human actions and mainly takes the form of verbal descriptions and explanations, with quantification and statistical analysis playing a subordinate role at most.

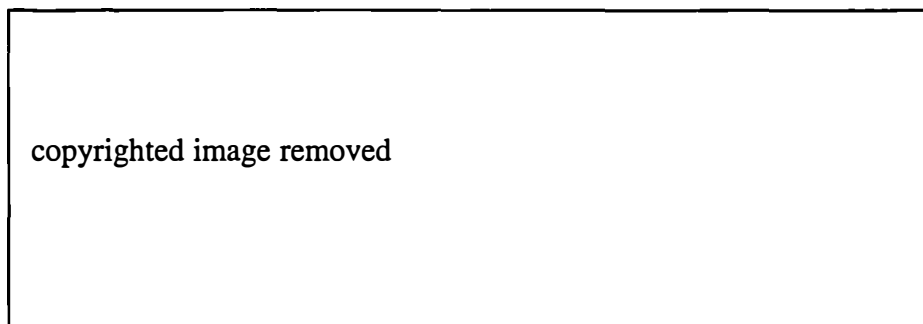
4.4 Designing the case study

A case study has been undertaken on a hotel company in the United Kingdom, referred to in this research as XYZ hotel company. According to Brotherton (1999), case study applications have declined in some 'traditional' academic contexts, followed by subsequent renewal in others. For many academic disciplines, especially those with positivist underpinnings, case study research is regarded to be inferior to other methodological philosophies. However, studies with a more phenomenological orientation see the case study method as a valuable approach that helps develop theoretical insights using an inductive process. It can also produce valid theoretical generalisation beyond the specific case

considered in the study. According to Yin (1993), case study research remains a fundamental framework of social science research. He added that the case study method is appropriate when researchers aim to define subjects broadly and not narrowly, cover contextual issues as well as the phenomenon underpinned in the study, and use multiple sources of evidence. Furthermore, the combination of why/how questions and ethnographic, naturalistic inquiry tends to suggest that case study research is most appropriate when the nature of the research to be conducted is qualitative and inductive. It raises the question of whether case study research is appropriate only for inductive, qualitative research.

In designing the case study, Robson's (1999) model, Figure 4.1 was used as a guideline while the opportunity to modify or change it was considered throughout the whole process. As Hammersley (1991: 1) put it, 'methodology cannot tell us what to do, it can only provide guidelines and cautions.'

Figure 4.1. Designing a case study



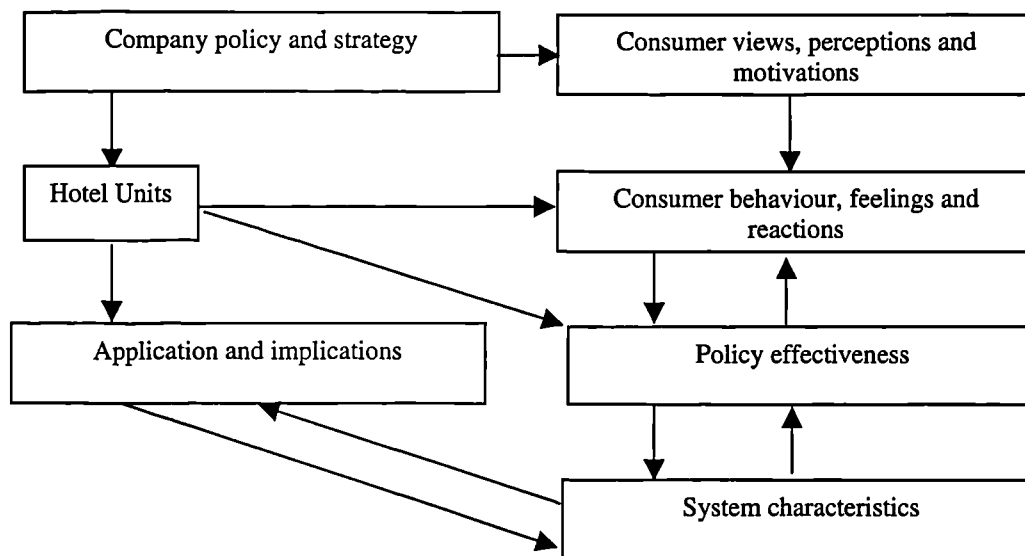
Robsons, 1999.

4.4.1 Conceptual framework

'Developing a conceptual framework forces you to be explicit about what you think you are doing. It also helps you to be selective; to decide which are the important features; which relationships are likely to be of importance or meaning; and hence, what data you are going to collect and analyse.' (Robson, 1993: 150). Therefore, a conceptual framework (Figure 4.2)

was developed at an early stage of the study to help to develop initial orientations and an overview of the work underpinning this thesis. The conceptual framework is a methodology based framework that was designed initially to help approach the case study analysis. It aims to put forward a framework of the issues to be investigated in the case study. It provides a structure to the initial notion for this research. It suggests looking at the company's policy and strategy applied in the individual units and linking it with the users' perceptions and behaviours stemmed from the policy's effectiveness and system characteristics.

Figure 4.2. A conceptual framework for the development of the research methodology



After reviewing the relevant literature, a conceptual framework was formulated proposing a structure of the research methodology (Figure 4.2). However, it was acknowledged that there might be some further changes in the study that would require a review of the framework. It was interesting to try to explore the system characteristics in terms of relationship marketing approaches, the company's policy and strategy to develop customer relationships and to communicate them across the hotel units and the different applications with the implications that this has on customers' perceptions and views. This conceptual

framework is linked with the research methods applied in this study. For example, exploring the company's policy and strategy required qualitative, in-depth interviews with the company's marketing director (representative of the head office). It also required a period of participant observation in the field to obtain first hand data of the investigated issues. Semi-structured interviews with the company's customers were also employed to identify users' perceptions, behaviours and motivations as well as feelings and impressions.

4.4.2 Formulating research questions

According to Shultz and Lareau (1996: 4), 'in order to begin the research process, the researcher must choose a question to explore. The question chosen must address the concerns of the researcher and must be answerable'. From the pre-designed conceptual framework, the need to investigate into the company's policy and strategy, the different applications by the individual units and customers' behaviour and reaction towards the effectiveness of the policy applied, has emerged. On the other hand, in order to realise the research objectives that have to do with the practice of relationship marketing, research questions were formulated as follows:

- First, what are the activities involved in implementing a relationship marketing strategy in hotels?
- Second, how do hotel groups interact with different customer groups in an attempt to build up, maintain and enhance customer relationships?

4.4.3 Gaining access and sampling strategy:

Sampling and selecting are principles and procedures to identify, choose and gain access to relevant units for data generation (Mason, 1998). Sampling and selecting were governed by different underlying logics. However, the term sampling is linked to the creation of general laws of statistics (Mason, 1998). In a qualitative-based approach, the logic of probability is seldom used.

- Non-probability sampling

Non-probability sampling is defined by Smith (1983) and Robson (1999) as a sampling where it is not possible to specify the probability that any person or other unit on which the survey is based will be included in the sample. Furthermore, Hemmington (1999: 254) stated that 'in non-probability sampling the elements have an unknown probability of being selected, and selection is based on the researcher's judgement and expertise.' He added that, as these techniques are commonly used for qualitative research, the utilisation of the statistical techniques for measuring random sampling error is not appropriate.

Non-probability sampling was found to be consistent with the nature of this research because it is most appropriate for sampling people or social organisations. It conforms to the phenomenological philosophy of research that lends itself to the adoption of inductive and qualitative approaches and moves towards the selection of smaller samples, unlike a quantitative approach of research. Non-probability sampling approaches such as convenience sampling, purposive sampling and dimensional sampling are used in this study.

- Convenience sampling

The convenience sampling approach was used to select a mid-market hotel group in the United Kingdom for this research. Convenience sampling 'is based on the collection of data

from those who are readily available for investigation' (Hemmington, 1999: 254). For this research the access to the company determined the sample. The fact that an initial contact was easily established with the company's gatekeeper at an early stage of the research made it convenient for the researcher to decide the sampling approach. The sample company provided a pertinent base for exploration of customer relationships. A detailed account of the sample hotel group focused on customer relationship approaches, organisational culture, process, perceptions, attitudes, relationships, factors and experiences. An initial research proposal that included the aims and objectives of the research, how the company could help and what is in it for them was sent to the company at the early stage of the research (see Appendix A for the initial research proposal).

- Dimensional sampling

Dimensional sampling (Robson, 1993), also referred to as theoretical sampling (Hemmington, 1999), was used because new important dimensions were identified during the course of the research. Having looked at three hotels in the group in detail, it was concluded that each hotel was different in terms of staff management, customer relationship approaches, interior design and constructions and classification within the group. The initial findings suggested that the hotels resemble a softer brand. That conclusion was guided by Slattery's (1991) features for soft and hard hotel brands. According to Slattery (1991), the level of physical product consistency, the level of service range consistency, pricing consistency, level of national coverage, consistency in type of locations, emphasis on national advertising and promotion, reliance upon growth through acquisition, emphasis on product planning and development and markets targeted determine the type of the brand. In the case of a harder brand all of the previous factors are more clearly resembled than they are in the softer brand. Based on the previous factors, a distinction between the harder and the softer brand was made for the purpose of this study. Looking at some hotels in the group's harder brand was seen to

be an interesting new dimension to this study. Extended research to two hotels in the harder brand of the company aims to investigate the consistency of customer relationships within the harder brand and to reflect the differences in customer relationship management between the softer and the harder brand in the sample company.

4.5 Methods and instruments for data collection

According to Robson (1993: 146), a case study is 'a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence.' A multiple data collecting approach is often recommended to ensure validity and reliability of the data gathered (Yin, 1993; Denzin, 1998; Robson, 1999). Hammersley (1991:57) stated that 'by validity, I mean truth: interpreted as the extent to which an account accurately represents the social phenomena to which it refers.' Each data collecting method employed in this research is intended to complement the other in order to reach a wider understanding of the investigated phenomenon as well as to ensure validity of research findings. Data reliability was defined by Hammersley (1992: 67) as 'the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions.' Data collecting methods are further discussed below.

Prior to the beginning of the empirical research, the company had started its own research on customers using focus group techniques. Some of the focus group sessions were observed by the researcher. Observing the company's own research helped to set the scene, introduce the researcher to the company's marketing team and to become familiar with the sample company. This is discussed later in more detail.

Collecting data was based on the following sources:

- a) Seven weeks of participant and non-participant observation in five different hotels in the group.
- b) Eight in-depth qualitative interviews with hotel managers.
- c) Twenty qualitative interviews with the group's customers.
- d) In-depth qualitative interview with the company's marketing director at the head office.

Table 4.1 presents the time spent on each data collecting method.

Table 4.1 Time spent on each data collection technique

Method	Time spent							
	The softer brand				The harder brand			
	Hotel A		Hotel B		Hotel C		Hotel E	
Participant observation	80 hrs		80 hrs		40 hrs		-----	
Non- participant observation	-----		-----		-----		40 hrs	
Number of in-depth, qualitative interviews with hotel managers	2		1		1		2	
Duration of interviews	3hrs	2.5hrs	3hrs	1.5hrs		1.5hrs	.45hrs	1hrs .45hrs
In-depth, qualitative interview with the Marketing Director	3hrs							
Customer interviews	7.3hrs							
Total primary-research time in hours	Observation 280 hrs				Interviews 23.3hrs			

The methods of collecting data were intended to provide answers to the research questions in order to achieve the research aims and objectives. The first stage of participant observation

aimed to explore what is being done to build up, maintain and enhance customer relationships in the hotel group and also to observe relationship marketing practices in hotels. Qualitative interviews with the hotel managers were conducted to discuss their customer relationship approaches and their strategies to develop customer relationships with different market segments. Qualitative interviews with twenty customers were also conducted to explore the relationship issues with different market segments from a customer point of view. It was seen to be useful to interview customers with different purchasing patterns and different values in terms of their spending power. An in-depth qualitative interview with the company's marketing director representing the head office was carried out to discuss the relationship marketing strategies with customers, the types of relationships that customers have with the head office and /or the brand, the company's criteria for segmenting the market and to explore the possibility of considering loyalty and life-time value as further ways to segment the market.

The second stage of observation aimed to explore customer relationships with the harder brand of the hotel group. To recapitulate, the aim behind designing these particular research methods was to explore what hotel groups do in terms of their relationship marketing practices.

4.5.1 The company's own research

At the start of the project, the sample company had already started its own research on customers. Focus group interviews were carried out as the method of their research. Customers were Gold Club members of the company's loyalty programme. After breaking the ice by asking customers to introduce themselves, customers were asked about their views of the hotels, their views about the company's loyalty programme and the reason they choose

the hotels in the group. The company was in the process of being taken over by an American hotel company. Customers were asked about their familiarity with the American company's name.

As stated before, attending the company's focus groups with customers allowed the researcher to interact with the head office marketing team, become familiar with the company, be introduced and known to the rest of the head office staff members and to become involved in the company's own research. The company's research crew was located in an adjacent room to the focus groups. The room was equipped with microphones so that customers and mediator were well heard. The two rooms were separated by a large window screen so that the research crew could observe the customers and not vice versa. No focus group data was acquired apart from the researcher's own observational notes. Therefore, the company's own research could not be used for the purpose of this research.

4.5.2 Observation

A five week-participant observation was carried out in three different hotels in the group from a front-line position in the reception area, where many of the customer-staff interactions take place. Participant observation was chosen as a method for collecting data to enable the researcher to be a part of the scene, to interact with the hotel staff members on a daily basis for a period of time and to investigate staff approaches to different customers groups with different statuses.

A major advantage of observation as seen by Robson (1999) is its directness. Informants are not asked directly about their views, feelings or attitudes but they are watched and listened to. However, observation is not an easy or trouble free task and to what extent the researcher's

presence influences the situation under observation has to be considered. The researcher attempted to overcome this problem by ensuring that informants were unaware of being observed.

Furthermore, in participant observation where the involvement of the researcher in the wider social structure becomes unavoidable, he or she can never be entirely divorced from the subjectively articulated social contexts of which they are a part (Wood, 1999). Any observer of a social phenomenon brings to the observation their own values and beliefs that could reflect upon their interpretation of this phenomenon. The researcher identified with these views and tried to avoid letting her own values and beliefs guide the way the phenomenon was interpreted. However, in some instances, particularly at the start of the research, it was difficult to look at matters with absolute objectivity.

In this research, participant observation was employed which involved a physical presence and sharing of every day work experiences. Therefore, the researcher was a part of the scene for a period of time so that informants became accustomed to her presence. The researcher's identity was stated to all participants except for the hotels' customers. Unstructured recording techniques that relied on hand written notes and involved open-ended descriptions of situations and behaviours were employed.

Prior to the observational research, it was helpful to develop a guideline of the issues to be looked at during the participant observation. These issues were as follows:

- How staff interact with customers in terms of greeting, serving, complaint handling, etc.
- How staff deal with different groups of customers of differing status (light, medium and heavy users)

- Staff perceptions of customers' relationships and the way management and staff distinguish and deal with different groups of customers.
- Type of information obtained from customers.
- The flow of information between staff and between staff and management.
- Information storage and utilisation.
- Type of relationships existing between staff and management.
- The actual relationship marketing techniques applied and the way they are delivered to customers.
- Customers' requirements in terms of wanting and receiving a relationship.
- Customers' feedback and advice on future delivery of the relationship.
- How customers feel towards the current relationships experienced.
- Customers' reactions to positive experiences or service deficiencies.

This list did not provide a strict framework to be followed during the observational research.

On the contrary, it was a flexible approach which could be modified according to the situation studied. It aimed to provide the researcher with helpful guidelines at the initiation of the research.

4.5.3 Dimensions of descriptive observation

At an early stage, a detailed framework (figure 4.3) was developed using Robson's (1999) dimensions of a descriptive observation model. For confidentiality reasons, the sample hotels will be referred to in this thesis as hotel A, hotel B, and hotel C in the softer brand and hotel D and hotel E in the harder brand.

Dimensions of descriptive observation included elements such as the space where the observational research took place, the actors involved in the daily activities, the activities and events during that time, the time over which the observational research was carried out; goals and objectives of observation and feelings as a result of customer-staff interactions. The dimensions of descriptive observation were used as a structure for the observational research and provided a framework of most of the elements involved.

Figure 4.3 Dimensions of descriptive observation

Space	<u>Group 1</u> Hotel A Hotel B Hotel C	<u>Group 2</u> Hotel D Hotel E
Actors	Front line employees Middle management Senior management House keeping staff Other customer-contact staff Customers	
Activities	Front office duties	
Objects	Hotel layout-furniture	
Acts	Individual actions Consistency of customers treatment	
Events	Christmas –New Year	
Time	Time participant observation took place	
	Two weeks	Dec 98 Hotel A
	Two weeks	Jan 99 Hotel B
	One week	Feb 99 Hotel C
	One week	Feb 00 Hotel D
	One week	Feb 00 Hotel E
Goals	Describing the setting Describing the people and the events Describing acts, attitudes, feelings and impressions	
Feelings	Reactions to customer and/or staff complaints Overall staff attitude Researcher’s feelings and impressions	

Adapted from Robsons 1999

During participant observation, the researcher was given the same duties as a front office clerk. This involved handling reservation forms, checking customers in and out the hotels, handling customers' various requests and demands, handling customers' comments and complaints and performing all other tasks associated with the front of the house at the hotels. She interacted with other staff members in other departments, customers, middle and senior management.

4.5.4 Planning and preparing for qualitative interviewing

Following the framework of planning and preparing for qualitative interviewing given by Mason (1998), preparing for interviewing involved in this study depended on the following steps:

Step 1: Identifying the main research questions of the study.

This study aims to explore the following questions:

- First, what are the activities involved in implementing a relationship marketing strategy in hotels?
- Second, how do hotel groups interact with different customer groups in attempts to build up, maintain and enhance customer relationships?

Step 2: Breaking down the main research questions into mini research questions.

A workable manual system was developed to link the mini questions to the main research questions as follows:

- 1a. What are the practical issues involved in pursuing a relational approach to marketing in the company?
- 1b. To whom is relationship marketing targeted?

- 2a. What are the customer profiles of different market segments?
- 2b. What are customers' loyalty aspects and drivers?
- 2c. What are customers' perceptions and expectations of the relationship?

Step 3: Converting the main and mini research questions into interview topics and developing ideas about how to achieve the research objectives through the introduction of relevant issues in an interview situation as follows:

Question 1

Question 1 is broken down into the following discussion topics which were used in semi-structured interviews with hotel managers and marketing managers.

1a	1b
The company's definition of relationship marketing and whether or not the term 'relationship marketing' is used.	The company's strategy to enticing customers to engage in a relationship and are there any 'favourite' groups of customers?
The different marketing techniques used to establish, maintain and enhance customer relationships and can these techniques be considered as forms of relationship marketing?	The basis on which different groups are segmented, and how customers are classified in terms of life-time value.
The costs and benefits involved in pursuing a relationship marketing policy.	Are different relationships developed with different groups of customers?
The company's culture in taking a relational approach to marketing e.g. how employees are trained to look after customers and encourage long-term customer relationships, how they regard customer relationships and their importance to the company.	The relationship terms (incentives, privileges, and termination) for each customer group.
	The future plans to improve customer relationships, extend the 'favourite' customer base and/or decreasing marketing effort to certain customer groups.

Question 2

Question 2 is broken down into discussion topics which were used in semi-structured interviews with the company's customers.

2a	2b	2c
Customers' purchasing patterns and volume.	Membership of loyalty schemes.	Customers' perception of the actual relationship directed to them and their feeling about it.
Customers usage of competing companies, which competitors, frequency of usage and the reason why.	Customers' perception of loyalty. Do Customers consider themselves to be loyal to that particular company or to others and why?	Their expectations of a good relationship with the company.
The probability of switching to a competitor if more discounts and incentives are offered	Customer loyalty drivers.	

Step 4: Cross-reference of all the previous steps. Main and mini research questions are cross-referenced therefore all questions and interview topics are linked to explore research questions and thus achieve research objectives.

Step 5: Develop a loose interview format. This is based on the previous interview topics with a flexible guide to the key issues and questions to be asked. A list of the possible interview questions with an order which could be customised on the spot according to the particular situation. Prompts are added to further discuss relative issues. (See Appendix B for the interview format for hotel managers).

Step 6: Identify standardised questions or introductory points to be addressed in every interview. For example, the introductory explanation of the research objectives and personal and social characteristics of interviewees.

Step 7: Cross-check that the interview structure and topics are all linked to the research questions and objectives.

4.5.5 Qualitative semi-structured interviews with the company's customers

The head office provided the researcher with 100 customers' files. Information included status, names, addresses, telephone numbers and spending value. An explanatory letter was sent to all customers on the list (see Appendix C for customers' letter).

Due to the fact that customers were located all around the UK and that travelling costs and time were research limitations, interviews were carried out by telephone. According to Oppenheim (1992), the most obvious advantage of carrying out telephone interviewing is the low cost. He added that it has been projected that only about one-third of the time designated to face-to-face interviews is spent in the actual process of interviewing, while the remainder of the time is taken up by locating respondents and by travelling. Accordingly, speed is another key advantage to telephone interviews, which can be conducted at a markedly rapid pace relative to face-to-face interviews. The process also allows close and constant management at a central facility. Furthermore, it was easier to make substitutions for refusals and for unavailable respondents. However, with conventional telephone interviews, it is difficult to account for the respondents' physical expressions and body language that might provide the researcher with some useful insights.

Respondents were selected on the basis of accessibility by telephone, which resulted in in-depth qualitative interviews with 20 customers of the company. Permission to tape record each interview was obtained from respondents at the beginning of the conversation. Each interview lasted from 15-25 minutes and was broken down into three types of questions. First, factual questions, straightforward scene setting questions that investigated issues such as usage rate and user status. Second, relationship questions to explore the customer relationship with the sample company and other hotel companies. These questions aim to identify the relationship profiles of customers with the hotel group. Third, loyalty questions designed to investigate customers' attitudes towards the company's loyalty programme. These questions sought to explore customers' loyalty drivers (see Appendix D for interview questions).

4.5.6 In-depth qualitative interview with the company's marketing director

An in-depth semi-structured interview was carried out with the company's Marketing Director as the representative of the head office. A brief presentation of the research findings was initially given by the researcher in order to lay the ground for the interview. The Marketing Director demonstrated a considerable interest in the research findings that was consistent with the researcher's observational research. The Marketing Director was asked to detail the company's approaches to build up, maintain and enhance long-term customer relationships. The company's database system, in terms of the type of information stored about customers and its utilisation was furthered explored in the interview. Furthermore, the company's approach towards staff training and staff involvement in a relational culture was also discussed. The interview lasted approximately three hours and was tape-recorded.

4.6 Pilot study

4.6.1 Purposive sampling

Purposive sampling was used as a non-probability sampling approach to pilot customers' interviews prior to embarking on the main research. In this pilot research there was no intention to utilise statistical generalisation to the population beyond the sample surveyed. It involved the researcher's judgement to select the sample in order to fulfil the purpose of this research. In this technique the cases selected were judged to be typical in the population of interest (Judd, Smith and Kidder, 1991; and Robson, 1999).

4.6.2 Purpose and techniques of the pilot study

The main aim of the pilot study was to test the research method in terms of the wording of the questions, the sequence and layout, time estimated and respondents' comprehension of the questions. According to Veal (1997), it must be acknowledged that this technique would lead to fine tuning the research process. The pilot study was carried out to test the research instrument for customers' interviews in particular because of the following reasons:

- To improve the researcher's telephone interviewing techniques, as it was the first time she had conducted telephone interviews.
- To ensure that appropriate telephone manners were used with customers, as the sample hotel company expressed a concern with the researcher approaching its customers.

Pilot customers' interviews were carried out with well-travelled university professors and lecturers. Some of the pilot customers' interviews were carried out face to face so the focus was on the structure of the questions and the respondents' reaction to them. Other pilot interviews were carried out by telephone prior to the main research, in order for the

researcher to familiarise herself with the procedure and to monitor the time required for each interview.

Interview questions for the pilot study were adapted to suit respondents' different situations as each respondent discussed their relationship with a different hotel company. It was interesting to investigate the relationship aspects of customers about hotel companies in general. Pilot interviews yielded interesting results that were seen relevant to this research (see Appendix E).

The pilot interviews resulted in some of the questions being altered and some prompts being added to help construct the discussion. For example, prompts concerned with how the relationship had developed, what it is like to be a customer of that particular company and whose relationship it is (i.e. a relationship with the brand or with the individual hotel unit) were added to the first 'Relationship Questions' in order to clarify what was meant by the question. In pilot customers' interviews the first relationship question appeared to be relatively ambiguous and adding prompts helped to shape the conversation and add more definition to the context.

Furthermore, piloting customer interviews helped in allocating the proper time to each question while still adopting a flexible approach to suit each respondent. 'Factual questions' were straightforward type of questions that consumed less time than the 'relationship questions'. 'Loyalty questions' required considerably longer time than the 'factual questions' as customers needed more time to express what motivates their loyalty to the hotel company. No pilot study was carried out for observational research at the hotels or for qualitative interviews with the managers due to the difficulties in gaining access to the hotels prior to the

main research. Also, a pilot study for that purpose was not deemed necessary as the researcher had experience in observing and in conducting qualitative interviews.

4.7 Data handling and analysis

Data from participant observation and qualitative interviews was transcribed for analysis.

Having tape-recorded the interviews, the researcher was able to generate detailed transcripts which in turn facilitated a line-by-line analysis of each interview. Additional notes were made during and after both interviews and observations. Some of the notes made throughout observation were made in the researchers' own language (Arabic) to ensure that respondents did not feel observed. The main recording of the data was performed immediately at the end of each working day to ensure that thorough field notes were obtained and to avoid the omission of any details. In the case of non-participant observation most of the data was recorded on the spot and was expanded with details at the end of each working day. All notes taken during observation and informal discussions with participants were hand written. However, all data was word-processed on a regular basis.

The researcher identified with the prerequisite skills portrayed by Strauss and Corbin (1990: 18) for undertaking qualitative research. In order to perform qualitative research it is essential: 'to step back and critically analyse situations, to recognise and avoid bias, to obtain valid and reliable data and to think abstractly. To do these, a qualitative researcher requires theoretical and social sensitivity, the ability to maintain analytical distance while at the same time drawing upon past experience and theoretical knowledge to interpret what is seen, astute powers of observation and good interactional skills.'

4.7.1 An ethnographic analytical technique

Ethnographic analysis is the search for the characteristics of a culture or a group and their link as abstracted by informants. However, any phenomenon can be analysed in several ways. The ethnographic technique (domain analysis) employed by Spradley (1980) was found to be useful to investigate the informants' knowledge of relationships. This knowledge is categorised in themes that are related to the whole culture (Spradley, 1980). Ethnographic techniques were employed to provide a systematic examination of data collected in order to institute its parts, the links between parts and their relationships to the entirety. Ethnographic analysis can be defined as a search for the parts of a culture, the relationships among the parts, and their relationships to the whole (Spradley, 1980).

There are various techniques to analyse qualitative data. Specialised software tools are now available for the management of text necessary in qualitative data. Among those tools are the Non-numerical Unstructured Data Indexing, Searching and Theory building (NUDIST), TEXT RETRIEVERS and DATA BASE MANAGERS, which are the most commonly used software tools (Robson, 1999). Text retrievers are intended to function on individual words or phrases. The use of text retrievers helps compose lists of all the words in a document. The numbers of times each word appears in a document is calculated, and indices contain alphabetical lists with information of where each word is in the document appear.

In text database managers the data can be identified as consisting of 'records' which match the discourse of an interview or the account of a period of observation. Each record can be divided into fields that can be coded with key words. With a large number of records, it is possible to search within the data in a wide range of ways. Other software tools include packages such as The Ethnograph, Text Analysis Packages, QUALBRO and Hyperqual.

However, as a critique of the usage of computer packages, Silverman (2001) argued that computer packages could lead to the restriction of the researcher's personal enthusiasm. Furthermore, while evidently useful in analysing large volumes of data, computer packages are of little help in examining small data extracts. In addition, unless the data is very well transcribed to accurately reflect the researcher's experience, computer packages are of no great help. Silverman (2000: 172) added that 'we are in the realms of advanced methodological debate, a fascinating and somewhat self-sustaining arena of discourse which, however is a little distanced from the practicalities faced by researchers grappling with particular research tasks.' Furthermore, computer programmes possibly inflict a "narrowly exclusive approach" to the analysis of qualitative data (Silverman, 2000: 173).

As the volume of data collected was manageable manually, it was considered possible to use a manual systematic approach to analysis. In addition, the researcher considered the limitations of the computer analysis software stated above and opted for a more personal way to analyse the data collected. The researcher felt that the amount of time spent during the field work and the methods chosen to collect data allowed her to gather rich data that could best be analysed personally. Furthermore, in this research, part of the data analysis was carried out simultaneously with the data collecting process. The researcher associated with the opinion stated by Fetterman (1998: 2, 3) 'an ethnographer is a human instrument and must discriminate among different types of data and analyse the relative worth of one path over another at every turn in fieldwork, well before formalised analysis takes place.' Manual data analysis proved to be one of the most enjoyable processes in undertaking this research. It was the process that built the whole picture and made sense of the raw data collected during the fieldwork.

Domain analysis was carried out in order to be able to describe the social situation, the organisational cultural behaviour, the organisational cultural knowledge and to discover the different patterns that existed in the data (see Appendices I and F for examples of domain analysis). According to Spradley (1980), a domain is a symbolic category that includes other sub-categories. Domain analysis is the first type of ethnographic analysis. Each domain is structured in 'cover terms' which are the categories of the cultural knowledge, 'included terms' which are the 'folk' terms that assimilate to the cover term as a category of knowledge, a 'semantic relationship' that links cover terms and included terms in a single relationship. Consequently, taxonomic analysis was developed. This involved a search for the way cultural domains were structured (see Appendices G and H for examples of taxonomic analysis). Then componential analysis was conducted to search for the attributes of terms in each domain. Finally the theme analysis involved a search for the relationships between domains and for how they link to the cultural scene as a whole.

4.8 The research ethics

According to Reynold (1979), ethics refer to rules of conduct and compliance to a set of code or/and principles.

'Studies based upon observation must respect the privacy and psychological well-being of the individuals studied. Unless those observed give their consent to being observed, observational research is only acceptable in situations where those observed would expect to be observed by strangers. Additionally, particular account should be taken of local cultural values and of the possibility of intruding upon the privacy of individuals who, even while in a normally public space, may believe they are unobserved' (British Psychological Society, 1991 Robson, 1993: 29).

Based on the above statement, the researcher's role was stated to all participants (except customers) and the following rules (Table 4.2) were employed to conduct the primary research:

Table 4.2 Research Ethics

Ethical issues in carrying out the primary research	
1.	Providing information about the true nature of the research.
2.	Peoples' involvement is with their knowledge and consent.
3.	Participants are not compelled to participate.
4.	Avoid deceiving participants.
5.	Avoid coercing participant to commit acts diminishing their self-esteem or confidence.
6.	Treat participants fairly, with consideration and respect.
7.	Avoid exposing participants to physical or mental stress.
8.	Avoid invading participants' privacy.
9.	Avoid withholding benefits from some participants.

Adapted from Kimmel, 1988

Confidentiality issues were discussed and assured with the participating hotel company at an early stage of this research. Participating interviewees from the company were also assured confidentiality of information, informed about tape-recording of interviews and about the length of each interview before hand. Participating customers were sent letters explaining the nature of the research. Interview times were chosen according to participants' convenience.

4.9 Problems and other issues in conducting the primary research

4.9.1 Gaining access

The main problem faced by the researcher in conducting primary research was maintaining access to the hotel company. Unfortunately, the sample hotel group was sold while the research was underway which led to a loss of previously established contacts. The researcher had to put forward her research proposal to the new managing director of the company in order to obtain their approval to carry on the study. This process consumed a considerable amount of time and caused a lot of delay in the research process. Furthermore, having sold

the business, the new contacts were sceptical about providing the researcher with any data on customers. However, the researcher needed to research customers as an integral part of the study. Following up with the company resulted in gaining access to a small number of customers. On the other hand, it proved extremely difficult to gain access to the company's harder brand after it had been sold. However, the researcher eventually succeeded in gaining access to two hotels.

4.9.2 Other issues in conducting observation

In conducting the first stage of participant observation, it was interesting to note that the researcher was affected by the cultures of the sample hotels. For example, in hotel A where the culture could be portrayed as friendly and customer-orientated, the researcher's attitude developed to match the whole friendly atmosphere. The researcher assigned a lot of time and resources to care for customers. In hotel B, where the overall culture can be typified as indifferent towards customers, the researcher gained a different attitude. She did not initiate conversations with customers, offer to help them in various situations or devote any effort to customer care.

In conducting the second stage of observation, the researcher was asked only to observe and not to participate in hotels D and E. The researcher experienced a different practice of observation. She took a place in the hotel's reception area in order to observe staff - customer interactions. On the first day the researcher noted that reception staff acted in a way that demonstrated that they were aware of being observed. That placed the researcher in a peculiar situation. It was obvious for sometime on the first day that the researcher's presence influenced the staff members to act in a certain manner. However, this problem reduced with time as staff became used to seeing the researcher. The researcher developed good working

relationships with the front office staff and this familiarity encouraged the staff to act naturally.

However, the researcher was faced with a large amount of data as she spent a day in each department and devoted all her time to asking questions and conducting informal interviews. Having only observed and not participated, the researcher found it difficult to recall all of the data by the end of the day. This problem was overcome by writing observation notes on the spot or as soon as possible after the period of observation.

4.10 Conclusion

This chapter has discussed the research philosophy and design for the thesis. A qualitative research methodology has been supported. It was expected that this approach would allow for the development of a richer / increasing and deeper understanding of hotel practices in building, developing and maintaining long-term customer relationships. This research relied on the use of multiple methods in order to ensure the validity and reliability of the data collected. The researcher's experiences with the observational research varied from one hotel group to the other. Her role as participant observer and/or observer influenced the collection and recording of data.

It could be concluded that the role of the company's 'gatekeeper' greatly affected the development of the fieldwork. Gaining access to the sample company proved to be an easier task than maintaining it. The change of the gatekeeper made it almost impossible at one stage for the researcher to carry out the research with the same company. As new dimensions of the study appeared while the research was underway, the researcher saw the need to investigate other hotels in the company. However, this task consumed a considerable amount

of time as regaining access took place simultaneously with the change of the company's director. Nevertheless, this research yielded a considerable amount of rich data that will be presented in the next chapter.

5 Chapter Five: The Practice of Relationship Marketing in Hotels

5.1 Introduction

This chapter presents the findings of this research. It identifies the different issues associated with the practice of relationship marketing that emanated from this research. It provides insights into relationship marketing practices in harder and softer brand hotel groups within the company, derived from observational studies. It expounds the views of hotel managers' and the head office on customer relationships and market segmentation criteria. Different approaches to treating different market segments are also explored in this chapter.

The chapter begins by setting the scene for the research carried out in the hotel company and then proceeds to present the research findings under a number of headings: hotels' culture, staff attitude, database, service customisation, customer relationship profile and hotel managers' perceptions. Research findings emanated from various research methods used for the softer and harder brand hotel groups and are presented in two stages.

While this is not a comparative study, the research also investigates customer loyalty and customer relationships with the harder brand as opposed to the softer brand group. This chapter then follows on to discuss market segmentation criteria used by the sample hotels.

Finally, it presents research findings from customers' qualitative interviews. It concludes with the head office's perception of customer relationships and market segmentation.

5.2 Setting the scene

This research was carried out using XYZ hotel company as a case study. XYZ is a mid-market hotel company located in the United Kingdom. This research has been a two-stage process. Stage 1 focused on the company's softer brand hotel group (referred to in this study as ABC hotel group), while stage 2 was carried out in the company's harder brand hotel group (referred to as DE hotel group). Slattery's (1991) set of features for a 'soft' and a 'hard' hotel brand provided the base on which the distinction between the softer and the harder brand in the sample hotel company was made.

The softer brand hotel group (ABC) consisted of a number of hotel properties scattered throughout England, Scotland and Wales. Although the hotels shared a similar type of location, each hotel differed in terms of design and lay out of rooms and buildings, style, pricing strategies and approaches to customers. The harder brand hotel group (DE) comprised a small number of hotels in Scotland and Northern England. All hotels in the brand followed the same style, type of building, décor and artwork, pricing strategies and approaches to customers. DE started as a small company. Its growth was financed in part by some local partners and partially by banking institutions. However, the greatest share was owned by XYZ hotel company. While this research was underway, an international hotel company purchased XYZ hotel company, including the softer and harder brand groups. This international company planned to expand the hard brand into the United States, starting with a pilot hotel that would carry the brand identity. The new owner company had various brands within its portfolio and some were offloaded, among which was ABC hotel group. The harder brand hotel group was kept.

5.3 The company's loyalty programme

The ABC hotel group had a loyalty programme run by an external company. According to the company's head office, the loyalty programme aimed to increase brand awareness, promote cross selling and maintain regular communication with customers. It was also designed to reward loyal customers. 'It's the company's way of maintaining customer relationships and repeat business. The General Manager of hotel A said that, 'it's a way of rewarding guests for using our brand and it works very well'.

The ABC loyalty programme had three levels of membership. First, standard members who have reached 300 points in a membership year were upgraded to gold members. Second, gold members, who enjoyed all the benefits of the standard members with additional benefits and privileges. Third, associate members were clients who made bookings at the hotel on a non-commission basis, through conference and banqueting offices.

All loyalty club members receive quarterly newsletters along with their account statements. In general, points earned can be redeemed either for short breaks or dinner for two at any of the hotels in the group. However, associate members can only redeem their points for gifts. Gold members receive room upgrades according to availability. They also receive extra amenities according to their preferences. These include a choice of welcome drink, a choice of newspapers, bathrobes, fruit and chocolate.

However, hotel managers argued that there is a cost for loyalty as it costs them approximately £30 to sign up members. Furthermore, each hotel receives only £20 for the redemption of one bedroom. It appeared that some of the sample hotels did not encourage customers to join their loyalty programme because of the cost incurred on redeeming the points. According to

the General Manager of hotel A, 'those points are money to the hotels, in the sense that they (members) have got to redeem them at a cost, they (members) are not going to spend a lot of money, they are coming only to redeem the vouchers.'

It can be assumed that the cost of signing up members and redeeming the points earned affected some hotels in the group more than others. Points redeemed towards hotel nights affected hotels with more leisure facilities that were located near some sort of attractions. In hotel C, the General Manager declared that 'we don't as a matter of fact mention it (the loyalty programme) to people at check in and check out, although some hotels do, but we don't.'

Members earned 15 points for every £10 spent on accommodation or for conferences. However, the maximum awarded points was 450 per one transaction. It is significant to note that the common problem with the loyalty programme, faced by customers, was the redemption of points. This mainly occurred because of the hotels' deficiencies in processing the points earned. The ABC loyalty programme was free for customers to join, however, membership terminated after 12 months if an account was inactive. The reason for that, as stated by hotel C General Manager, was that 'it's probably a cost thing, because there obviously is a cost of signing a member up and maintaining that member, there is a maintenance charge that we are charged by the company who maintains the system. I suppose that's the reason they book them out.'

Members' history was kept on a voucher for each member. The information held on the guest voucher was a record of visits and included card number, hotel code, visit dates and incremental revenue. Information held about members was not stored in the hotels' computer

systems, instead it was kept on perforated paper with a line for each customer. Information included:

- 1) Type of room preferred.
- 2) Smoker or not.
- 3) Disabled or not.
- 4) Type of in-room gift (fruit, chocolate, cheese, drink).
- 5) Preferred newspaper.

It was clear that the type of information held about the loyalty programme members did not involve personalised data of any sort. Members' stay history information only dealt with codes and figures to provide a summary of each member's spend at the hotels. No data was kept on members' experiences at the hotels. Furthermore, other information such as members' preferences, recommendations, special food diets, special health requirements or conditions e.g. allergies to feather pillows or to pot-purri; special occasions e.g. birth dates or anniversaries, favourite type of communication e.g. mail, fax, telephone; members' status or occupations etc. was not included.

Moreover, staff members of ABC acquired little knowledge of the loyalty programme and its members. It was evident that the programme had little to do with enhancing customer relationships with the company. This is further discussed in chapter 6.

5.4 Relationship marketing practices in the sample hotel groups

This section describes the different approaches to treating customers of the sample hotel company. It addresses the issues associated with developing customer relationships and provides an insight into the different practices of relationship management in the company.

This section presents the research findings from participant observation and informal discussions with the hotels' general managers and staff members in two stages.

5.4.1 Stage one: the softer brand hotel group (ABC)

- Overall hotels' culture

As mentioned in the previous chapter, this research took part in three hotels in the softer brand hotel group (hotel A, hotel B and hotel C) and two hotels in the harder brand group (hotel D and hotel E). ABC hotels enjoy secluded locations in the countryside or mature parkland complemented by the distinctive character of every property. Their proximity to major transport networks, made them suitable venues for business meetings and special events. Their main market was made up of conference and meeting businesses during the weekdays and leisure and wedding business at weekends.

In hotel A, the prevailing culture was customer orientated. Customer relationships formed an essential ingredient of the overall traditions of the hotel. Staff were encouraged to involve themselves in conversations with customers at all times. They endeavoured to meet customers' needs and wants and made an effort to make things happen. Hotel A staff and management believed in delighting customers and their main concern was to offer their customers a happy and satisfactory experience. As indicated by the hotel's General Manager, 'the very nature of our hotel is very geared towards creating a nice relationship with the guest, making sure they're happy.'

Situated in the lobby area, the front office staff were always able to engage into conversations with the hotel's guests, pay attention to children and be ready and accessible to handle any request or complaints. According to the hotel General Manager, 'you've got to keep your

eyes wide open for the opportunity and get to talk to your guests a bit more.' It was apparent that hotel A's perception of customer relationship development was associated a great deal with customer communication and customer care.

The hotel's 48 bedrooms and feature rooms were individually furnished. Each room differed from the others and all the suites were themed on historical figures. Categorized as one of the best hotels in the group, hotel A catered for up-market customer segments. The hotel was typified by being a friendly place. Customers felt comfortable and at ease and seemed to have a relaxed attitude towards problems and complaints associated with the service. The management style emphasised customer care among the hotel staff. Many free products and gifts were used as a tool to support the customer care strategy. Hand written letters and notes were left in guest- rooms to welcome them upon arrival. Furthermore, great attention was paid to very small service details.

Hotel B with its 41 bedrooms, elegantly furnished and decorated, focused on efficiency as an essential approach to business. A standard welcome note from the General Manager, with no guest name on it, was found in guest-rooms along with a basic questionnaire to be used for feedback on the services and facilities offered. There was also a registration form for the loyalty programme along with the hotel brochure and the health club literature.

Hotel B's market was made up of conference business during the week and leisure with a few weddings at the weekends. However, a different approach geared towards productivity and efficiency was taken. Customers did not appear to be the main concern of the hotel staff. The overall hotel culture was not customer focused. Senior management's style did not express an interest in customer relationships. The hotel's General Manager declared that 'it is

something that I would say we're young at (perceiving customer relationship concepts). We have young people (staff) that are growing in terms of the service delivery and they are still nervous of the guests'.

Furthermore, management occasionally received incorrect information from staff members (e.g. false information about how satisfied customers were with the way their complaints were dealt with). The communication of incorrect information did not allow the management to monitor the effectiveness of problems and/or the complaints handling procedures. This in turn led to customers' disappointment. In the case of complaints, guests received a simple verbal apology. In some instances, other staff members were blamed as the cause of the service deficiencies (e.g. 'my colleague did not pass your message over', or 'they did not specify which newspapers you have ordered.'). Teamwork was not evident in hotel B.

Although the hotel's General Manager had few interactions with staff at the front desk and occasionally received misleading information about customer satisfaction, he seemed to realise that the hotel culture overlooked customer relationships. He declared that the hotel staff lacked a friendly attitude and that they needed social and behavioural training as they have the ability but not the attitude.

Hotel C with its 60 Victorian rooms and suites catered for business clients during the week and the leisure and wedding markets at the weekends. As with the other hotels, hotel C was characterised by individually decorated bedrooms and suites. Some of the suites were historically themed or featured.

The overall culture of hotel C was not well defined. This is due to inconsistent staff attitude and other internal staff-related problems. However, it was obvious that customer-relationship development was not the main concern of management and staff. Shortage of front office staff was a major problem in hotel C. Therefore, only one member of staff was responsible for the front desk as well as the back office area where switch board and key racks were located. The back office area was also used for taking customer reservations. In addition, one of the two areas had to be neglected in times of busy workloads. Front office staff expressed that there was too much work to be handled by one person. Due to the scarcity of staff or management-customer interactions, it was difficult to grasp the nature of customer relationships, if any. However, it was clear that the hotel management paid little attention to customer relationship building. Furthermore, hotel staff did not appear to take any initiatives in customer relationship building.

- Approach to customer relationships

As stated before, the customer mix for ABC hotel group consisted of the conference and meeting markets during the weekdays and leisure and wedding markets at weekends. The leisure market was composed of families, young couples, honeymooners and celebrities. The hotels enjoyed a considerable and regular customer base. VIPs and loyalty club members constituted small customer segments of the hotel market as few regular customers join the loyalty scheme. According to the Reception Manager of hotel A ‘the time between their (loyalty club members’) visits makes it difficult to notice their volume.’ This indicated that the hotel management/staff were not aware of the volume of the loyalty club members.

As indicated earlier, hotel A’s culture lent itself to the development of good customer relationships. In hotel A the customer relationship concept was the main focus of the general

hotel operations. Customers were very well looked after. Customers' names were ascertained before arrival and used throughout their stay. Free products and gifts and discounts were offered to regular customers. It was apparent that customers had an appreciative attitude towards the type of service received. There were situations where staff members made things happen in order to please customers and to provide them with an excellent experience in the hotel. For example, driving 8 miles to buy new tennis rackets for customers or driving 8 miles to the city shopping area on a Sunday to find a bridal item for a wedding customer. Customers' positive experiences in hotel A stimulated their curiosity about the other hotels in the group.

It is interesting to note that customers were impressed with the way staff members reacted to their demands. This, however, led to an increasingly demanding attitude of customers. For example, customers tended to require more services and amenities, knowing that the hotel staff pay attention to small details, such as the particular type of cigars smoked by the bridegroom, a certain phrase to be written and placed on the pillows in the wedding guests' bedrooms and the type of arrangement of flowers to be left in each wedding guests' room. Some customers required an unpacking service for their luggage.

Observing customer-staff interactions, it was possible to gain insights into what customers perceived as their needs, wants and expectations. Furthermore, the hotel staff asserted that, customers' expectations differed according to the type of customer. For example, it was noted that business customers expect recognition in terms of their status and the usage of their names by staff members. They also liked to be asked how they are. Business customers expected a high level of efficiency and speed in check in and out procedures as well as service quality standardisation across the hotel group. On the other hand, leisure customers

liked to be chatted to, looked after and shown to their rooms. They liked to receive a more personalised service with extra attention to leisure and recreation needs. On the whole customers expected reliability and attention to details.

In hotel B, the staff attitude tended to stray away from a customer relationship concept. Although staff members took efficiency as a focus to their daily operations, customers came last. For example, it was evident that the hotel staff saw the priority of handling paper work as higher than attending to customers or answering the telephone.

It is also significant to note that the hotel's General Manager endeavoured to develop customer relationships with customers while his efforts were not communicated to heads of departments and staff members. He stated that, 'I design my week around customers. This is what I do as a hotel manager. It is not abnormal for me to sit down with, for example, a corporate client who has now become a regular user, in the bar and have half a lager you know, chat about generalities you know make them relaxed and feel at home. When I'm on duty I will go around the restaurant every evening and I will check each customer to ensure that we are satisfying his or her needs.' However, the General Manager's effort in building customer relationships did not extend to emphasising a customer-focused culture amongst the hotel staff. Moreover, his efforts didn't involve encouraging and monitoring staff involvement in customer relationships.

Furthermore, staff showed inconsistency in their knowledge about customers. It was noted that questions posed by the researcher about customers were answered differently on different occasions and by different front office staff members. Those questions dealt with their knowledge of regular customers, special treatment directed to different market segments, information kept on their loyalty club members and information kept on customers in general.

It appeared that customers had a negative reaction to problems faced during their stay at hotel B. Customers tended to complain more, even when facing a minor problem with the service. Service incompetence involved failure to deliver customers' messages and business faxes on time; not recognising very important and regular customers and delays in check in procedures.

Observing customer-staff interactions it was interesting to note that regular customers tended to have a negative attitude towards problems associated with service incompetence. This was because they seemed to feel in partnership as they are frequent users of the company as a whole. Therefore, they expected more recognition as well as efficiency and speed. An example of a disappointed customer who was a very regular, high profile, gold member of the loyalty programme is as follows: 'I'm a Gold member, I use (the company) quite a lot. We spend a lot of money in almost all the hotels in the group across the country. I've been in the air for the last 12 hours as I flew from the States and you can imagine how tired I am. I have 12 people to entertain tonight and I'm trying to force myself to be in a good mood. I came here and nothing is ready for me'.

Although a member of staff was assigned by the General Manager to deal with this customer, this particular customer did not seem to be satisfied with the way his situation was handled. Moreover, the General Manager was provided with incorrect information indicating that the customer was happy prior to his departure when the customer was actually dissatisfied.

In hotel C, although the staff induction process for new staff members emphasised the importance of customers, the management team made no further effort to reinforce this principle in staff on a regular basis.

Customer interaction was of a little importance to the hotel management and staff members. This was due to the fact that the front office staff were based in the back office area of reception. They were not required to be present at the reception area unless customers were heard waiting by the front desk.

As mentioned before, due to the internal problems attributed to the shortage of staff, customers received inconsistent attention from staff members. This made it difficult to identify customer relationships' profiles. It also seemed that the management team worked in isolation of the daily operations in the front offices.

- Staff attitude

Most of the staff members in ABC hotel group were energetic, enthusiastic young people who did not necessarily possess a hospitality background. Due to the remote locations of the hotel properties, the company endured high staff turn over and lacked skilled hotel personnel. The lack of staff introduced many problems that placed considerable work pressures on hotel employees, particularly those who worked close to customers. A front office clerk at hotel C declared that 'this (the load of work at the front office) is too much for one person to do.'

Furthermore, due to the small size of the company, staff members who worked in the front office positions were trained and expected to handle *all the different tasks required in that* department. With a high workload, as well as the lack of staff, existing staff members found it hard to cope. A front office clerk in hotel C said that, 'everybody does everything here, and when you need them to do their own job, you don't find them.'

This problem seemed to create inconsistency in dealing with customers. Staff attitude, which presents one of the important issues associated with developing customer relationships, was found to range from very friendly to aggressive. However, in hotel A this problem seemed to be better managed. The management at this hotel were highly involved in the daily operations of the front office department. They were also highly involved in the development of customer relationships and encouraged all staff members to work as a team so that the workload was better divided. Furthermore, management attitude towards staff was a sociable one, staff and management worked in harmony to deliver a more personalised type of customer service. Staff were empowered to make decisions and to rectify any customer problems with the product or the service.

In hotel A, staff members were the friendliest of all participant hotels. They seemed to possess a high knowledge of their hotel customers. Front office staff appeared to be aware of the hotel's most regular customers and how often they stayed at the hotel. A conference and meeting staff member in hotel A said that, 'there are five regulars that I know very well, and there is one that comes in twice a week'.

The management role emphasised the importance of customer relationship at this hotel. The hotel General Manager as well as the heads of departments worked as a team to encourage staff members to assert the 'customer delight' concept into the hotel culture. It was apparent that staff members were encouraged to approach customers and initiate conversations with them because the hotel management team, including the General Manager, spent a considerable amount of time talking to customers in the front of the house area. The front office manager in hotel A stated that 'the whole day we are busy chatting away with guests'. Furthermore, the management team, headed by the general manger, was in the reception area

at all times to welcome guests to the hotel and help with their luggage. Hotel porters had personal beepers to announce the arrival of guests so that they are ready to welcome customers at the driveway and offer to help with their luggage.

Staff members were constantly interacting with customers. The management attitude accentuated the importance of customer relationship development in all customer interactions. The management acted like role models. The General Manager at hotel A indicated that, 'they (staff) see us talking to guests, they see us going out of our way to look after guests, they look at what we're doing and copy it.'

In hotel B, although most of the staff members were active and efficient young people, they did not seem to work as a team. Moreover, they had a passive attitude to dealing with dissatisfied customers by only expressing by a simple verbal apology. It was noted that staff members tended to blame the system or other colleagues when customers complained, which revealed the negative attitude that front office staff had towards each other. The hotel General Manager stated 'I completely agree with you, they (staff) really lack this (friendly attitude) ... they've got the ability but not the attitude. They need some social and behavioural attitude training.'

The hotel has had frequent changes of management over the past year. This led to a considerable insecurity amongst the staff members which affected the guest's perception of the hotel. It also resulted in the provision of an inconsistent service. The General Manger of hotel B stated: 'this hotel before my arrival had five general managers in the period of a year so there was a huge amount of instability amongst the team and amongst the perception of the guest to the hotel. Customers were not getting the consistency of service. They saw a

different general manager every time they walked in the door, I mean all they had to do was come every two months and they would have seen five different people running the property’.

Furthermore, heads of departments seemed to work in isolation from the front of the house and had few interactions with customers. However, management attitude towards staff seemed to be a friendly one. The hotel’s general manager appeared to encourage a *humorous* atmosphere in the hotel by exchanging jokes with the front office staff.

Lack of staff in hotel C seemed to create many problems. Staff members suffered a great deal of internal issues due to this. It was difficult to identify the hotel culture. Staff members had an inconsistent attitude towards customers. However, it was obvious that a customer interaction approach was not employed except for handling customer’s standard requirements such as check in, check out or other services and inquiries that required *minimum* interaction. This led to limited staff knowledge of the hotel customers.

Furthermore, newly recruited staff found it difficult to cope with the workload. They were not properly trained. This problem affected staff confidence and resulted in a feeling of uncertainty in treating customers. A newly recruited front office clerk stated that, ‘everybody is too busy to show me how things are done and go with me *step by step...I feel* uncomfortable not knowing the right thing.’

The management team appeared to work independently of front office staff members. Management-staff interaction was done on a very minimal basis. Staff members didn’t feel empowered to take any action to gratify dissatisfied customers. Staff suggestions to the general manager to improve the department’s productivity received no interest. A member of

staff at the front desk stated that, 'I suggested to the general manager to buy another printer and credit card machine as they are desperately needed in rush times, but my suggestions did not find any interest.'

With the high staff turnover, particularly in the front office department, current staff members felt neglected as senior managers didn't seem to acknowledge their problems in coping with the high workload. A front office clerk in hotel C said, 'do you know that there nobody (senior managers) came to us to ask if we are OK? Do you know that? We are under so much pressure and this affects our work'

- Database

The database plays an essential role in developing and maintaining long-term customer relationships. The role of the database is considered to be one of the most important issues for building customer relationships. In hotel A, staff were encouraged to overhear customers to find out about their likes and dislikes so that they could provide a personalised customer service. The hotel's General Manager asserted that 'we want to know our guests, to know them inside out and we can put that information on a bit of paper and at the end of the day put it into the system.'

Information overheard was recorded on a piece of paper and then passed over to the Reservation Department. Staff members used this information to engage in conversation with customers. The way customer information was used to build and maintain the relationship was found to be crucial. Finding out about customers' likes and dislikes was a tool used by the hotel to customise the service. For example information about the type of food a particular customer consumed in a previous stay was stored in the system and used to build a

rapport with that particular customer that would lead to developing their loyalty. As the General Manager of hotel A said: 'the next time Mr. and Mrs. X phone up and say 'I would like to book a room for...' oh yes we remember you stayed in the ... suite the last time, would you like that room again or can I give you another room? ... You had said that you didn't like the duck sauce we've spoken to the chef, and boom before you know it they say 'my God this is extraordinary, let's go back there again and again'.

Staff members in hotel B made no effort to collect information about customers. Moreover, standard information found on reservation forms such as the guest's name was not used. The scarcity of customer information made it difficult to customise the service a great deal. The hotel's General Manager declared that, 'we don't have the process to use the guest name... we haven't made strong progress in this area.'

Information on customers' reactions to complaints was not properly communicated between staff and senior managers. In some instances, a corrective action was not taken due to the delivery of wrong information to managers. As the management team did not appear keen to investigate and follow up customers' reactions to problems, staff members considered it unnecessary to record or keep any information about customers' feelings towards problems.

In hotel C, the customer information system depended a great deal on the standard information from the reservation and registration forms. No other personal information was collected to customise the service. Lack of staff made it difficult to devote time to learn about customers and find out any personal information that could help in providing a more personalised service. Front office staff members struggled to fulfil the duties required to run their department.

The information systems in the three hotels depended on the computer software Fidelio. All three hotels stored standard information on customers using Fidelio. This information included reservation forms, guests profiles (the same information stored in the reservation form in addition to the customer addresses, preferred newspapers and a remarks section where customers special requirements are recorded) and billing information. It was only in hotel A that information on some customers' special requirements and information about their experiences during previous stays was recorded in the remarks section. However, that was an initiative by the hotel's front office manager that appeared to be influenced by the hotel culture that lent itself to the customer care principle.

- Service customisation

Service customisation is considered as another important issue for developing customer relationships. In hotel A, customising the service was a prevalent approach to customer relationships. With the use of a database, service was tailored to meet customers' preferences. For instance, a British celebrity, a regular customer, preferred smoked salmon on white bread and to be served with mineral water. The front office manager stored this piece of information into the system to be used when this particular customer was in house. In hotel B, service was customised for a few regular customers who were not necessarily members of the loyalty programme. Some staff members were aware of those customers and their room type preferences. Personal information available about regular customers included their preferences of room type and newspapers. However, it was noted that loyalty club members' preferences such as their choice of welcome drink were regularly met. The company's loyalty club is discussed later in this chapter.

As stated earlier, collecting personal or detailed information about customers in hotel C was not made possible due to the lack of staff. This led to the difficulty of customising the service. However, service was customised to some customers according to the General Manager's instruction.

5.4.2 Contrasts between hotels in ABC group

This research revealed dimensions of contrasts between the participating hotels as a further step of data analysis. The contrasts between hotels indicated the different issues associated with the development of customer relationships in each hotel and summarised some of the research findings. Tables 5.1 to 5.5 illustrate the overall picture of the hotels' profiles in terms of types of customers, special amenities offered to customers, approaches to treating different customers, customer relationship development and information systems. While tables 5.1 and 5.2 indicate the dimensions of contrast between the different market segments, tables 5.3, 5.4 and 5.5 indicate the dimensions of contrast between the hotels in the group.

Table 5.1 Customers' profiles

Dimensions of contrast				
Domain Customers	Frequency of business	Volume of business	Special needs, wants	Expectations
VIPs	Frequent	Heavy	Very high	Very high
Wedding	Infrequent	Light	Detailed	Specific
Leisure	Occasional	Medium	Low	Moderate
Business	Frequent	Heavy	High	High

Table 5.1 shows customers' profiles in different market segments. It identifies the frequency and volume of each segment as emerged from in-depth interviews with hotel managers and the participant observation research carried out. It also shows the differences in each market segment in terms of their needs, wants and expectations. It appeared that customers had different needs, wants and expectations depending upon the segment they belonged to. For

example, while the leisure market had low needs and wants with moderate expectations, the business market had high needs and wants along with high expectations and the wedding market was associated with detailed needs and specific expectations.

Table 5.2 Special amenities offered to different customers

Dimensions of contrast				
Domain Special amenities offered to different customers	Room up-grade	Welcome drink	In-room amenities (fruit, chocolate, flower or champagne)	Loyalty points
Loyalty club members	Yes	Yes	Yes	Yes
VIPs	Yes	Yes	Yes	No
Wedding	Yes	No	No	No
Leisure	Yes	No	No	No
Business	Yes	No	No	No

Table 5.2 summaries the special amenities offered to different customers in all sample hotels in the softer brand. It appeared that room upgrade was offered to all customer segments and not restricted to loyalty club members. The VIP customer segment enjoyed all amenities offered to the loyalty club members except for the reward points. Being able to obtain those amenities as non-members of the loyalty programme discouraged VIPs and regular customers from applying for the club membership.

Table 5.3 Hotel culture for interacting with customers

Dimensions of contrast								
Domain Hotel company studied	Hotel Culture	In-house customer relationships	Receive guests at the entrance or the walk way	Help with the luggage	Show guests to their rooms	Place welcome letters in guest rooms	Use guests' names	Staff involvement with the customer
Hotel A	Customer-relationship oriented	Strong	Yes	Yes	Yes	Yes	Yes	Very involved
Hotel B	Unfriendly, efficient	Very weak	No	No	No	No	Very rare	Not involved
Hotel C	Not clear	Weak	No	Occasionally	No	No	Very rare	Not involved

Table 5.3 illustrates some dimensions of contrast between hotels A, B and C. It throws light on the differences between hotels' cultures and the strength of customers' relationships in each hotel. It also shows the differences in customers' check in procedures and the degree to which hotel staff are involved with customers. It was evident that each hotel in the ABC group had a different approach to customer relationships. They did not follow the same procedures for checking in customers. Furthermore, the degree to which staff were involved with the customers varied from one hotel to the other.

Table 5.4 Customer relationship development

Dimensions of contrast						
Domain	Learn and keep information on customers	Pass information over to reservation	Use information and devote considerable effort to customise the service and engage in conversations with customers	Customers' reactions to problems	Staff attitude towards customers	Customers' wants and expectations out of the relationship
Hotel A	Yes	Yes	Yes	Relaxed	Friendly and positive	Personal service and pampering
Hotel B	No	No	No	Negative	Nervous and unfriendly	Recognition, efficiency and same service quality across the group
Hotel C	No	No	No	Negative	Inconsistent	Reliability

Table 5.4 shows the dimensions of contrast between the three hotels in developing customer relationships. Issues involved in the development of the relationships, as appeared from the participant observation carried out, included learning about customers, keeping information and communicating it, using information kept on customers, customers' reactions to problems, staff attitude towards customers and customers' relationship expectations. It

appeared that the management and staff in hotel A extended more effort to develop strong customer relationships, while that was not the case in hotels B and C.

Table 5.5 Types of information held

	Dimension of contrast	
<u>Domain</u> Type of customer information held	Standard information kept on Fidelio (information on reservation and registration forms, customer profile)	Personal and/or specific information kept on Fidelio or staff memory
Hotel A	Yes	Yes
Hotel B	Yes	No
Hotel C	Yes	No

Table 5.5 presents the differences in the use of the database systems in the three hotels.

Personal or specific data held on customers involved information about their special requirements and any other personal information learned or overheard by staff members, prior to or during stays. It was evident that without keeping information on customers at a personal level, service customisation is a hard task to accomplish.

5.4.3 Stage two: the harder brand hotel group (DE)

- Overall hotels' culture

Hotel D and hotel E were standardised to a great extent in terms of work procedures, interior design and style of décor, staff uniforms and service levels. Therefore, research finding from these two hotels is jointly presented.

The hotels' overall culture was informal and relaxed. The hotels reflected a contemporary décor with distinguished artwork. Guest-rooms were individually designed and standards of home were emulated, including hi-fi system, satellite TV. As one DE customer stated, 'the thing that struck me about the hotel was its design, its interior design. I felt it was very modern and kind of chic if you know what I mean, not like a typical modern hotel. They'd

obviously put a lot of thought to it. It has a very distinct design. So I felt that I was intrigued by the choice of design in the bedroom furnishings and equipment and certainly I was made to feel very comfortable. I think it was quite a relaxed atmosphere. I felt relaxed, it is a relaxed hotel,'

A less interactive approach to customers was taken in these hotels. Customer-staff interactions were minimal. Also, customers were not offered any sort of augmented services or any other offers or discounts. For this reason, customers did not feel that they had a relationship with those hotels. As one DE customer put it, '...It depends what you mean by relationship. If it is some kind of on-going contract, not really, I didn't sense that. I didn't feel I particularly, necessarily wanted to and I didn't think that they were necessarily sort of, how can I put it, offering this service, that facility.'

Although DE hotel group did not run a loyalty programme, it still achieved a large base of loyal customers. The hotels' market was made up of corporate businesses during the week days and the leisure market at the weekends. Hotel D and hotel E took an informal approach to treating all of their different market segments. Hotels general managers and senior managers emphasise this approach in staff training and staff handbook. The front office Manager at hotel D asserted that, 'our style is informal but professional, we ask our staff not to use the phrase 'Hello Sir or Madame' and if they do they get 'a smack'.'

Brand distinctiveness was the main tool used by the hotels in this group to gain competitive advantage. The hotels' managers claimed that customers were partial to their hotels, mostly due to their unique brand. The hotels were designed in ways that reflected stylish artworks. The hotels' architecture resembled an historical building in France. Some of the hotels in the

group conveyed the same décor as an historical building, using paintings to reflect a particular period in history. Other hotels maintained the same style of décor but used paintings to reflect their local area. Nevertheless, each hotel in the group could be easily identified as the group's property. According to the operations Manager at hotel E, 'people like to come here because it is vastly different than any other establishment, you can hear people whispering 'wow, I've never seen anything like this before'.'

The hotels' culture lent it self to simplicity. Staff members asserted that their mission was about doing the simple things well, with care, consistency and passion. It was noted that the hotel group aimed to offer good value for money to customers. In order to achieve that, the hotels reduced some supplementary services and facilities, such as porter and concierge services, so that room prices could be kept competitive. Furthermore, recompense and reward policies were minimal to compensate dissatisfied customers or to reward loyal customers. The assistant food and beverage manager at hotel E argued that, 'if the customer tastes the wine and says that they don't like it, it's tough. I would change it but I'll have to charge them for it. We don't give anything for free unless it is 'off'. I have to taste it myself and then I can see if it's really off.' The restaurant supervisor at hotel E added that, 'if they (customers) are not happy with the main course, we could offer them a free desert or coffee because it is always cheaper to do that than not to charge them for the main course.' As the reservation manager of hotel E said, ' we try to listen and pick up the occasion the customer is coming to stay so we can upsell our amenities. For example, if they are celebrating their wedding anniversary, we ask if they want us to put flowers, chocolate, fruit or a bottle of Champagne in the room. We will charge them for it, they don't get nothing for free. We charge for everything we offer and we try to up sell our services during the call.'

Each hotel in the harder brand hotel group had a brasserie that they consider as a very important food and beverage outlet for the hotel. The brasserie had a separate database from that of the hotel, as most of the brasserie's business was a separate business. Hotel managers regarded the brasserie as a highly important business and tried to enhance the 'food culture' within the hotel group. They argued that the hospitality industry suffers from people's attitude towards waiting staff. Waiting staff should be regarded as sales people. Therefore, the hotels held weekly tasting session for the waiting staff to try the food and wine on the menu, so that they could become acquainted with the product. This enhanced the waiting staff's knowledge about the product and service and that led to building customer loyalty. General Manager at hotel D stated that, 'you've got a sales person there, it's not a waiter, it is a person who knows the subject and that is building our customer loyalty. People come here thinking that we know what we are offering and this is something that should continue, it is a philosophy.'

- Approach to customer relationships

The types of customers that the hotels have were described, by staff members, as 'up-market'. It was argued that the type of customers they had in these hotels differed from those of the softer brand hotels. The latter, people might go there for shooting and like to be offered a formal kind of service. It is interesting to note that, according to Department Heads, what customers want is basically to have a good product, good food complemented by genuine staff. It was stressed that the hotels' no frill policy helped to keep guest costs low and to offer a great style, great food and great value at affordable prices.

Staff members appeared proud of their hotels; they talked highly of the company's image and expressed their passion in the hotels' style and artwork. Department Heads encouraged staff

members to look immaculate so that they complemented the hotels' great style. They acknowledged the exquisiteness of the hotel rooms and tried hard to sell different rooms to the same customers in their various stays to allow them to experience their individually designed rooms. However, customers tended to opt for the room in which they have stayed before and with which they felt familiar and comfortable. As the reservation manager of hotel E stated, 'we always try and give our customers different room every time they are in, so they can experience our lovely different rooms, but they always want to stay at the same room where they stayed before... they call it 'my room' and 'it is like home.'

The hotels' way to encourage customer feedback was by placing a blank card and a pencil in guest rooms. It was argued that exit questionnaires were about what is important for hotel companies while the blank card gave the customer the opportunity to bring up what is important for them.

It is significant to note that hotels in this group followed standardised operational procedures. During the observation period, hotels received instructions from the head office to review their standards. Special attention was paid to the layout of the components of guest rooms. This involved the position of each piece of furniture, the position of the telephone receiver, the place of the hotel literature in the room, etc.

- Staff attitude

As stated before, hotel staff in DE hotel group took an informal approach to treating customers. It was recognised that 'hiya' was the phrase used to greet all customers. Staff tended to have brief contacts with customers. The reason for that, according to front office staff members in the sample hotels, was because the types of customers they had were mainly

business people. Business customers preferred to be left alone due to the scarcity of their time. They needed speed and efficiency during check in and check out procedures.

Although staff training programmes in both hotel groups emphasised the importance of customers, there were no specific training programmes on customer relationship issues.

The management team in hotels D and E were less involved with customers. The General Managers saw their roles as being more involved with the staff and the daily operations. The General Manager of hotel E declared that his own perception of the manager's role had changed since the last hotel he was managing (a smaller hotel in the same group). He added that this may be because of the size of the hotel. In the smaller hotel he was more involved with customers. 'It is probably the bigger you get in terms of hotel size the more important it is to act as a real manager and that is someone who is watching the business and the figures on a daily basis and that is important' General Manager, Hotel E.

- Database

The database system in the harder brand hotel group was the same as that in the softer brand hotel group. They both used Fidelio to keep information. Information kept on Fidelio included customers' names, addresses and billing details. However, in the harder brand hotel group, hotels depended a great deal on their staff memory. Information on customer preference or special requirements were learnt by staff members and passed over to newly recruited staff as a continuity process. The General Manager of hotel D outlined that, 'I think our database is also based upon the individuals within the hotel. For instance, our sales manager will know customers individually. Then it can be built up on paper as we go along. I think it is important that the team of people who are involved here are very much aware of the individual requirements of people who come here regularly, such as their room

preferences and so on.’ Hotel D’s sales manager added that, ‘you can never rely solely upon computer systems, I think they are important, they help you store information but it goes back to the business that we are in which is hospitality that very much is an interpersonal relationship.’

It can be argued that, there is always capacity in Fidelio to keep personal information and store more detailed guest histories. Although relying on staff memory may appear to be a useful way to store customer information, it could be problematic if employed exclusively in small hotels, with small numbers of employees, suffering high turnover rates.

- Service customisation

Celebrities are an important market segment for this hotel group. International celebrities used the hotels on regular basis. With such a demanding type of customer, service customisation was a vital issue. Celebrities’ needs and wants were diverse and in some cases complex. They required a great deal of attention and privacy in unison. Their work schedules placed a lot of restrictions on staff members i.e. staff members, in many instances, were not allowed to service their rooms during the normal working hours. The executive housekeeper of hotel E stated that, ‘with celebrities, we are restricted in accessing their rooms, they like their rooms to be serviced in the evening. With some of them, we can’t even go into their rooms until they have checked out.’ This requires a great deal of flexibility from the hotels’ side in order to accommodate that important segment’s requirements. Department Heads affirmed that they normally do anything celebrities asked for and that they managed their working schedule according to celebrities’ special requests. As the executive housekeeper of hotel E said, ‘our policy is: the answer is yes, what is the question?’

Celebrities had needs, wants and requirements different from those of other types of customers. For example, an American pop star required the closure of the hotel gymnastic room to the public so that she could have exclusive use of it. Another American pop star liked to have freshly squeezed apple juice every morning. A British pop star demanded a special type of coat hanger upon his arrival at the hotel. Some celebrities required an air purifying system. Some others brought their own massage tables and beauty therapists with them, expecting the hotel to provide the space for that. The reservation manager at hotel E affirmed that, 'we have a lot of celebrities here, week in and week out, they bring a lot of people with them and occupy many rooms.' The executive housekeeper of hotel E added that, 'we try and buy their (celebrities) favourite food and also buy special water and fruit juice for them even though they don't use everything they ask for.'

In addition, service was customised for repeat guests according to the limited information kept on them in the system as well as in staff memory. Some detailed information about a few of the regular customers was kept in Fidelio. The customer profile page in Fidelio contained a 'remarks' section which was used by hotels to store any personal information or special requests from customers. However, using that particular section in the customer profile page seemed to be optional and subject to the front office manager's initiatives.

It was evident that hotels stocked up on food items that were not usually included but preferred by certain celebrities. Furthermore, customers' favourite music was played in their rooms on arrival. However, the hotels high standards of service can send the wrong messages to customers. This made them develop high expectations. Hotels in this group were classified as three star AA but, customers expected four-star facilities because of the hotels' fine artwork and distinguished style of décor. In order to deal with customers' high expectations,

the human resource manager of hotel D commented that 'we try and overcome this problem by educating customers to correct their expectations. For example, if the customer asks for somebody to carry his or her luggage, we say Ok, we'll try and get somebody to do it for you, we are sorry it is just we don't have a concierge service.'

- Customer loyalty

As stated before, the harder brand hotel group did not run loyalty programmes. The reason for that, according to the hotel managers, was because of the small size of the company and the fact that they were still developing. Furthermore, a loyalty programme could generate a considerable cost for that size of a company. The General Manager of hotel D stated that, 'we dropped the idea for a number of reasons, but the main reason was the cost. The second reason is that when you start to compete with some of the rewards that are offered by the Hilton or Marriott, where they have the ability to get more back, you can't compete with that at this point.'

It was also argued by the hotels' managers that, once a loyalty programme was implemented, the company had to give discounts on the services and facilities and give things away in return for points collected by customers; while service and facilities could be sold at full prices. The reservation manager of hotel E said that, 'we don't have one (a loyalty programme). We are what we are and we sell what we sell, and to be honest the hotel runs very well without one. I could sell the rooms for full prices.'

However, hotel managers could foresee the consequences of not having a loyalty programme. They asserted that not having a loyalty programme might affect their customer loyalty in the future. This was due to the fact that four hotels (one of which is a Hilton) were going to open

in their local area in the near future. With the rates becoming more competitive, customer loyalty would be greatly affected.

In expressing concern about not running a loyalty programme, the General Manager of hotel D revealed that, 'we are going to have a bigger surplus of rooms in the city, so rates would then become more competitive. That will affect our customer loyalty because they could get a better deal somewhere else. Moreover, if their company is paying for their stay, they won't care whether they stay with us or at such and such hotel'

On the other hand, hotel managers thought that customer loyalty was a complex matter. They argued that customer loyalty drivers could not be clearly defined as they could be attributed to the purpose of stay, the rate paid, convenience or other criteria. Therefore, the most important factor they wished to maintain as a company was the value factor, as the company strives to maintain a 'value for money' concept.

When asked about customers' views about the availability of a loyalty programme, hotel managers stated that some customers inquire about loyalty programmes, particularly American customers as loyalty schemes are popular in the United States. The reservation manager of hotel E stated that, 'customers probably will want a loyalty programme because normally they do get things for nothing don't they. It is an advantage to the person using it, whether it is an automatic upgrade or trading points for free night stays.'

Generally speaking, it was apparent that the DE hotel group employed a one-to-one approach with its most important market segment. With other market segments, they strove to provide a value - associated service at affordable prices. This was made possible by cutting down on frills and discounted services and facilities. The company relied on its brand image to gain

customer loyalty, which proved evident in customer research. Findings from customer research are presented later in this chapter.

5.5 Hotel managers' perspectives

This section reports findings from the in-depth qualitative interviews carried out with General Managers, Sales, Reservations and Operations Managers at the sample hotels.

Customer relationship profiles were further discussed in in-depth qualitative interviews with the hotels' managers in ABC and DE hotel groups. This section throws light on hotels' General and Senior Managers' perceptions of relationship marketing. It presents their views about the type of relationships they have with customers. It also provides an idea about what hotel managers understood by the term 'relationship marketing' and what constituted a relationship marketing strategy. This section presents the research findings from managers' interviews carried out in both brands in concordance.

5.5.1 Customer relationships

Customer relationships were described by ABC hotel managers as 'people relationships' that were based on a 'one to one' interaction with the customer. As the General Manager of hotel B said, 'it's almost a one to one relationship. I will be on Christian name terms with regular customers.'

In their view, customer relationships should extend to involve good internal relationships with the company employees (as internal customers). This, according to the hotel managers, could be achieved by understanding personnel management as a tool to develop businesses. In other words, hotel managers emphasised that the way staff were treated influenced the whole hotel culture and affected customer relationships. The role of hotel staff in developing

and maintaining long-term relationships with customers was considered as the biggest tool to maintain customer relationships and build customer loyalty. As General Manager of hotel A described it, 'the biggest tool that a hotel can have is the individual character (personality of staff). People buy you as an individual, yes they buy the hotel but they come back because of you.' Furthermore, the General Manager of hotel C added, 'our relationship marketing works both ways, it isn't just with our guests, it is also with our team and how we develop them.'

Customer relationships in the softer brand hotel group appeared to be stronger with the individual hotels than with the company's brand. Hotel managers asserted that customers have the relationships with the hotels' managers as well as with staff members. Customers' relationships could easily be personalised within the individual hotel due to the availability of customer information at the individual unit level.

The front office manager at hotel A argued that, 'it is difficult to ask the head office to personalise their marketing letters to customers using personal information that is only available to us as an individual unit, such as the number of children the customer has and their age progress. We won't have that kind of control.'

Furthermore, 'partnership' is a term that was raised during customer relationship discussion with the hotel managers. With high value customers (frequent and high spenders) the relationship could develop to a state of partnership. This type of relationship seemed to describe the relationship that the company had only with key clients who use the majority of the hotels in the group for their conferences and business meetings. Those customers expected mutual commitment from the company in return for the volume of business that they brought to it. They demanded recognition as key customers and they expected their

preferences and other detailed information to be kept on the company system. They also expected speed and efficiency in check in and check out procedures.

The relationship marketing approach emphasised by hotel managers was associated with the delivery of one-to-one marketing. However, apart from relationship marketing practices in hotel A, views of the General Managers at hotels B and C seemed to contradict what seemed to be the case in those hotels during the period of participant observation. Hotel General Managers at hotels B and C provided useful ideas on the practice of relationship marketing. However, those ideas seemed inconsistent with their actual approaches to customers. For example, the one-to one approach asserted by General Manager of hotel B did not coincide with the hotel's culture that moved away from a customer-focused approach. Despite the General Managers' efforts to convey a more relational approach towards customers, Department Heads worked in isolation from other staff members and staff members who worked closely with customers were described to be 'nervous of customers'. Therefore, information provided by the General Manager about the one-to-one approach to customers indicated a paradox.

Similarly, the General Manager of hotel C emphasised the integral approach to relationship marketing that included both external and internal customers to newly recruited staff. However, this was not consistent with the middle managers and staff members' approaches to customers. It was evident that customers were treated in an inconsistent manner and that the hotel management was far from developing relationships with their internal customers. As discussed before, staff problems resulted in a less defined hotel culture that affected the development of customer relationships. Hence, what was indicated by the General Manager on this subject did not conform with their actual practice at hotel C.

On the other hand, what was claimed by hotel managers at hotel A in terms of developing and maintaining customer relationships closely conveyed their actual policy and approach to customers. The hotel management involvement in the relationship not only supported the maintenance of customer relationships but also provided a good example for the hotel employees to follow. As General Manager of hotel A described, 'if I see Sheila, reservations manager, talking to three or four sets of guests I'll go and concentrate on another three or four sets of guests and Steven will do likewise and that means that at the end of the time each guest has had quality time with them.'

In depth qualitative interviews with the harder brand hotel group (DE) managers indicated that customer relationships were open and informal. General Manager of hotel D said that, 'I think the general relationship that we have here with our customers is a very open one... I would say that it's a relatively informal one.'

Nevertheless, hotel managers affirmed that very informal customer relationships were being avoided. They argued that a little distance should be maintained with customers as taking a 'too informal' approach to them could lead to problems such as customers feeling less respected or treated in a less professional way. Besides, this approach might lead customers to develop highly increased expectations of the service provided. According to the General Manager of hotel D, 'there just comes the point when we actually have to respect the guest and not be too informal.'

According to DE hotel managers, customer relationships could develop through customer contacts in the different hotel departments, mainly the front office department and the hotels' food and beverage outlets. Customer-contact staff were responsible for an essential part of

developing the relationship on the personal basis. It was emphasised that such personnel were accountable for breaking the ice and approaching customers when they arrive at the hotel and making themselves known in an informal sense. Furthermore, hotel managers asserted that hospitality is all about being friendly and showing genuine interest in customers. They added that, customer relationships should be developed on a continuous basis with regular customers. General Manager of hotel D stated that, 'we have guests that stay with us during the week for a period of 6 months, going home for the weekends, so continuity is a major aspect of developing the relationship.'

Hotel managers argued that all customers should be treated the same way although they were approached differently according to their purpose of stay. Furthermore, it was asserted that all customer segments were equally important, therefore they deserved the same treatment. However, after further discussion it was added that customers did receive different treatment due to their different status. As the General Manager of hotel D said, 'I think it'll be a lie if you say that you do treat all your customers the same'

There were some incidents or particular situations where some customers were treated as VIPs, for example the chairman of the local football club who was locally a very important person. Furthermore, high value customers (frequent and high spenders) such as Procter and Gamble or British Telecom were treated differently to lower value customers such as wedding customers. These former customers received welcome cards signed by the General Manager, extra in-room amenities and more recognition.

It was significant to note that the type of relationships customers had with the harder brand hotel group tended to be with the hotel brand more than with the individual hotel units. Due to the fact that the hotels in the group were rather standardised in terms of operational

procedures, style, staff uniforms, interior design and artwork, customers tended to know what to expect when using other hotels in the group. This led to a stronger relationship with the brand. The operations manager of hotel E stated that, ‘the initial attraction of the majority of our customers whether they come through a company or as individuals is our brand. Although we have different themes, they have come across the brand some way or another. They would know that they have gone to one of our hotels’ Operations Manager.’

The overall principle of the hotel group revolved around keeping the product simple to achieve good value for customers. Hotel managers asserted that they liked to be perceived as good value-hotels. The General Manager of hotel D said that, ‘we are not a luxury hotel, I mean you get the style here but that is not anything to do with luxury.’

5.5.2 Familiarity with the term ‘Relationship Marketing’

When asked about their understanding of the term ‘relationship marketing’ four out of five management executives in ABC hotel group stated that they were not familiar with the term and required an explanation of it. Eventually some hotel managers expressed their views about relationship marketing as shown in Table 5.6.

Table 5.6 Relationship marketing as seen by hotel managers in the ABC hotel group

Key words	Relationship marketing definition	Hotel
Forward thinking – existing customers	‘Being forward thinking with how we market ourselves to an existing client.’	A
Good experience – individuality – attention to details	‘Relationship marketing is to provide that good experience, that individual style and attention to detail for the guest.’	B
Repeat business – loyalty	‘It’s probably something that we do subconsciously, I mean that’s what we’re here for really, to get repeat business and to establish loyalty with clients and build relationships with them, and via that I suppose you’re doing your marketing.’	C

Furthermore, hotel managers in ABC hotel group put forward what seemed to constitute relationship marketing. This can be presented in Table 5.7.

Table 5.7 Relationship marketing constituents as seen by hotel managers in ABC hotel group

	Relationship marketing constituents
1	Personal interactions with customers
2	Developing opportunities to talk to customers
3	Customer care
4	Valuing and appreciating customers' business
5	Analysing customer feedback
6	Acquiring a database system
7	Centralising information
8	Using customer information to build up the relationship
9	'Reaching out'
10	Fulfilling promises to gain trust
11	Meeting customers' expectations
12	Monopoly of the customer thinking and influencing their decision making
13	Using common-sense and personal qualities
14	Changing habit and having the process
15	Staff belief in customer relationships
16	A full participation of all guest-contact staff
17	Encouraging and motivating the relationship
18	Conducting and continuing the relationship

It was apparent that the managers of hotels ABC regarded customer interactions as the main constituent of relationship marketing. According to the hotel managers, developing a database system and centralising the information across the hotel group will help to build customer relationships. Furthermore, meeting customers' expectations and fulfilling promises can help to gain trust. Hotel managers also emphasised issues such as believing in customer relationships and valuing customers' businesses.

It was interesting to note that hotel managers in hotels E and D were not familiar with the term 'relationship marketing'. The General Manger of hotel D said, 'relationship marketing? I'm not quite sure what you mean by that.' As stated before, although the hotels hold a considerable base of repeat business (almost 50% of customers were regulars, General

Managers), a less interactive approach was taken towards customers. Extra services and amenities, including customised service were offered at a cost.

In due course and after further discussion, hotel managers of hotels D and E put forward views about what they thought relationship marketing could be. They argued that although the fundamentals of relationship marketing were understood and its tactics were employed in one way or another, the terminology of relationship marketing was not in use.

Table 5.8 shows how hotel managers of hotels D and E regarded relationship marketing.

Table 5.8 Relationship marketing as defined by hotel managers in DE hotel group.

Key words	Relationship marketing definition	Hotel
Existing business – new business	‘It certainly happens within the hotel. May be relationship marketing extends beyond existing business. By the same token, I think you have to balance that with new business.’	D
Service customisation – guest history – meeting special requests and preference.	‘Yes, we do that in what I was referring to by (service customisation). Every guest that stays with us has a history with any special request and preferences that we try to meet.’	D
Anticipation of guests’ needs.	‘It’s an anticipation of your guests’ needs entirely, it is something that we should look into.’	E

According to the hotel managers, customer relationship development depends on a number of issues. These involve staff personal interactions with customers, customers’ feelings of comfort and being able to approach staff and management, learning about customers and acknowledging their preferences, reading customers (the concept of reading customers was described by operations manager, hotel E as an acquired talent or trait that enables a staff member to understand customers and figure out their needs and preferences) and service customisation to celebrities and regular customers. Issues considered in customer relationship development are illustrated in Table 5.9.

Table 5.9 Relationship marketing constituents as seen by hotel managers DE hotel group

Relationship marketing constituents	
1	Personal interactions with customers
2	Being approachable to customers
3	Get to know customers and learn about them
4	Reading customers
5	Service customisation to certain market segments.

The previous constituents, illustrated in Table 5.9 symbolised the DE hotel managers' views on relationship marketing. They represent what was there, what was lacking and what they wished to develop in their hotel properties.

5.5.3 The advantages of relationship marketing as seen by hotels' managers

Relationship marketing advantages, as seen by hotels' managers, were broken down into two categories: advantages for the hotels and advantages for the customers. The advantages for the hotels lay in the availability of existing sources of business. The General Manager of hotel C stated that, 'we don't have to go out and look for more guests, it is easier to keep an existing client than to go and find a new one.' According to General Manager of hotel A, 'you've got a source of business there ... there's a bit of a reliance factor there.' He added that, 'it's easier to remember their (customers) likes and dislikes ... Customers are much more likely to let us know if we have a problem, if we have a close relationship with them. If we don't have a close relationship with them, we can be absolutely sure that they will walk away and we will never know why.'

Furthermore, they believed that it is easier to obtain information on existing customers than new ones. In addition to repeat business and according to respondents, developing a relationship marketing approach leads to greater economy in the sales and marketing budget.

Moreover, respondents identified the fact that developing a relationship marketing approach made it easier to enhance the services and facilities to existing customers. For example, it was more convenient to deal with conference customers the second, third, and fourth times than the first time.

The advantages of relationship marketing to customers lie in their familiarity with the property and staff members. Respondents added that customers would feel more comfortable with the place. They would know what to expect, and what they can and cannot do.

According to some hotel managers in the harder brand hotel group (DE), the advantages of relationship marketing are associated with repeat business and with the fact that it is less expensive in terms of time and funds to maintain a long-term relationship with an existing customer. Furthermore, developing good customer relationships helps to cross-sell the other hotels across the group. Building up long-term customer relationships urges customers to find out about the sister hotels in the group.

It can be established that although the hotel managers in XYZ expressed their views on the advantages of relationship marketing in their interviews, not all of the sample hotels apply a relational approach to marketing. It is also noteworthy that some hotel managers associated relationship marketing advantages with the repeat business of their profitable customer segments. For example, the operations manager of hotel E declared that 'the benefit of building up those relationships is that we get a lot of room nights from existing customer groups. For instance, one of our repeat customers is Procter and Gamble. Now Procter and Gamble is a massive corporation, their employees' number is in my opinion infinite. The better relationship we have with them the more they would use our business.'

5.5.4 Disadvantages of relationship marketing as seen by hotels' managers

According to respondents, relationship marketing could involve drawbacks. Disadvantages of relationship marketing related to the cost involved in developing a proper database system, and in human resource management. However, this contradicted with their previous views on the advantages of relationship marketing. Furthermore, it was argued that there is a fine line between relationship marketing and placing pressure on customers. The type of pressure referred to here, according to the hotels' managers, may be from excess or unwanted attention being given to customers, particularly in the business markets.

According to respondents, there were some constraints that could prohibit the pursuance of relationship marketing. They argued that hotels face some difficulties in maintaining customer relationships due to the change of customers' personal circumstances (e.g. people move away or change their addresses) as well as their business circumstances. Moreover, the hotels' managers are governed by costs. *The General Manager of hotel C added: 'I think hotel managers are under pressure just to fill the rooms and I think a lot of them don't have time to go look for that repeat business because they've not been brought up that way. It is a shame.'*

High staff turnover is another constraint to relationship marketing. It was estimated that approximately 80% of staff members in one of the sample hotels would leave the property within a year's time. *This in turn results in the discontinuity of the relationships and adds more cost strains to the company to undergo the whole process anew with newly recruited staff.* In addition, technology advances could present a threat to the company in terms of having insufficient expertise in the skilled techniques of capturing and utilising customer data.

Hotel managers added that there are some disadvantages underpinning the application of the relational approach to customers. Among which were raised customers' expectations of the current services and products. According to the sales manager at hotel D, 'the disadvantages are the raised expectations of guests.'

The problem with raised customer expectations, as seen by hotel managers, could affect the brand integrity. The General Manager of hotel D argued that, 'when you start dealing with raised expectations and when you start making additions to the product within an individual hotel then you will affect the brand perception for all of the hotels'.

However, that was not necessarily the case in the ABC hotel group. In hotel A for instance, staff and the management team endeavoured to meet customers' expectations that seemed to have risen throughout their stay at the hotel. It was evident that meeting customers' high demands and detailed expectations in hotel A built customers' interest in the other hotels in the group and positively contributed to the brand image.

5.6 Market Segmentation

This section presents the different criteria used to segment the market for both brands of the hotel company. It addresses the company's approach to different market segments and throws light on the hotel managers' views of applying segmentation criteria such as usage, frequency, loyalty and lifetime value.

There is no difference in regards to the segmentation criteria applied in both brands of XYZ hotel company. Table 5.10 explains the company's different market segments. It is evident that hotels used rate as a segmentation criterion. They grouped their market into nine segments based on the rate paid and whether a booking is direct or through a third party (in

order to determine the eligibility for commission). Although price, in form of the rack rate, was declared by hotel managers to be used as a segmentation criterion, they expressed their concern about its significance to the segmentation process. This is discussed later in this chapter.

Table 5.10 Market Segments

Market segment code	Explanation of market segments All definitions are regardless of the day of the week or length of stay
NCC Non contracted Corporate	Rack and on the day rates are given to guests who do not have a contracted corporate rate but who are staying on business
COD Conference Direct	Guests attending conferences, AGM's training meetings, sports teams / organisations, private company dinners, company Christmas parties, product launches, activity days. This segment monitors conference business booked direct with the Conference Office by a company. These rates will all be non-commissionable.
COA Conference Agent	Conference business booked through a third party i.e. a conference agent on behalf of a company. These rates will be commissionable at 8% + VAT.
CRC Corporate Contracted	To monitor local and nationally established contract rates for an identified volume of business, for a specific time period. These rates must be set up directly with the companies and can be booked through a third party – a travel implant. However, all rates are non-commissionable.
CRA Corporate Agent	To monitor local and nationally established Corporate Agent accommodation rates e.g. Hogg Robinson, Amex, Carlson and Expotel etc. These rates are commissionable at 8% + VAT. Bookings from implant whose rates are commissionable are included in this segment.
LEH Leisure Hotel	To monitor all promotional offers originated and promoted by the hotel, (i.e. published and advertised by the hotel) including seasonal and special packages NOT managed or marketed by Head Office e.g. packages for Valentine's Day, Easter, Christmas and New Year. This segment also includes local press initiatives, Weddings, Private Functions, Christmas Party Nights and guests paying rack or on the day rate who are staying in the hotel privately or for leisure stay.
LEA Leisure ABC/ DE	To monitor All leisure / short breaks packages and promotional offers driven by Head Office marketing for weekend and identified off peak periods. Incentive offer made to Amex, Hertz, etc should also have their own Rate Code set up (HO will supply this). All leisure business generated by group press coverage will also be monitored under this segment. This segment should also include the loyalty programme members who are redeeming vouchers.
GRP Group	Includes domestic inbound leisure groups, including wholesale, ground-handler or retail companies and inbound individual Fully Inclusive Tours (FIT e.g. Seagull, BA Holidays) and domestic packages programme (e.g. Crystal, Superb Beaks). Leisure groups of 6+ rooms with the same arrival and departure dates, who are not

Market segment code	Explanation of market segments All definitions are regardless of the day of the week or length of stay
	attending a function such as a party night or wedding are included in this segment e.g. a coach tour. Rates may be commissionable by one off agents at 8% + VAT.
STA Staff	This include staff leisure breaks, staff conferences and meetings. Staff staying in the hotel company on business from Head Office. N. B. personnel from Head Office Operations Department should not be charged unless otherwise agreed by Operations Directors.

Source: Company Literature, 1999

On discussing market segmentation criteria with hotel managers, it was significant to note that, rate was considered to be the main segmentation criterion. The General Manager of hotel A stated that, 'the first section that we segment our guests into comes under rate. It is a good measure of how well your rate stands up in the local area.'

Nevertheless, General Manager of hotel A asserted that market segmentation is not based on rate, it is based on the purpose of visit, whether it is for business or leisure. On the contrary, the General Manager of hotel B indicated that rate-based segmentation is implemented by the hotel company. He listed their customer market segments as: rack rate, corporate rate, corporate agent rate, conference rate, conference agent rate, leisure rate, FIT business (Free Independent Traveller) rate and staff rate. In addition, the General Manager of hotel C stated that, 'market segmentation depends on the rate that they (customers) are going for. This is what dictates how they are divided, whether it is leisure or corporate, it is driven by rate.'

According to hotel managers, rate-based segmentation, even though implemented, involved some drawbacks. This is because implementing rate-based segmentation does not provide information on customers and does not indicate their source. As the General Manager of hotel D said, 'what does rack rate tell you? Nothing. We had 500 rack rate rooms this month, so where did they come from?'

In respect of the two main market segments: business and leisure, respondents indicated that for both brands, about 52% of their market is business and 48% is leisure. It was argued that dividing the market into business and leisure is source-based segmentation. This is seen significant by respondents as it is important to know where their business comes from to help to identify customer-treating approaches.

5.6.1 Approaches to customers

Hotel managers claimed that they treat all customers the same. They indicated that the relationship they have with different market segments does not change from one segment to the other. They argued that customers have the same expectations in relation to their purpose of visit and as such they all are treated the same. Table 5.10 presents the hotels’ approaches to treat different market segments as expressed by the management teams.

Table 5.11 Customer treating approaches

Hotel Managing Executives	Approaches to treating different market segments	Interview transcript extract
1	Price differential is not an issue for treating customers.	‘I’ve experienced other hotels where the Monday to Friday business is treated differently from the weekend business because of a price differential and I think that is wrong.’
2	Customers are all treated equally.	‘We actually don’t make any differences between one guest and the next. Everybody has to be treated the same at this end of the market. <i>Everybody is paying a lot of money to stay at the hotel.</i> ’
3	Different customers’ segments are treated the same in terms of courtesy, care and attention to details.	‘We understand that they are different segments with different needs however, everybody is still treated with the utmost courtesy, care and attention to detail, no matter which segment they belong to.’
4	All customer segments are important segments. Rate paid does not affect the customer-treating approach.	‘If you become complacent enough to treat somebody differently because of a rate, for example, then you are going to

Hotel Managing Executives	Approaches to treating different market segments	Interview transcript extract
		lose some of your business and all business is good business.'
5	Customer care is the fundamental principle.	'If your fundamental principle is customer care, then everybody who walks through the door should be cared for.'
6	Each market segment makes up the big picture.	'I think every market segment makes up the big picture and if you switch off to them, you miss out on one of them.'

As shown in Table 5.11, hotel managers strongly emphasised that they should not treat different market segments differently because of the rate paid, while using price as their main segmentation criterion. They asserted that each market segment is an important segment and that all customers should be treated equally. However, it is interesting to note that after further discussion on this matter, hotel managers expressed different views of customers' treating-approaches, which contradicted the previous ones presented in Table 5.11. They pointed out that they have different relationships with different market segments. For example, the General Manager of hotel D declared, 'I suppose that we do have different relationships with different clients, because it is important to understand what they want.'

They added that, different market segments are treated differently according to the type of customers and their different needs. For example, a business customer would have different relationship needs from a leisure customer. Business people seemed to have less time to devote to the development of a one-to-one relationship with the hotel staff. Staff in hotel E mentioned that, they do not try to engage in long conversations with business customers. This is based on a staff understanding of the nature of the business customer segment that uses the hotel. It was evident that business customers in hotels D and E used the hotels'

public areas to continue their discussions, work, or to make business phone calls. This in turn restricted staff readiness to initiate any type of informal contact with these customers.

'We try to keep out of their (business customers) way, we just check on them every 10-15 minutes' Barman, Hotel E. On another level, VIPs such as celebrities require a different kind of relationship with regard to attention to details. The General Manager of hotel D argued that, 'in fact it's a different service for different market segments, whether it's a conference or a corporate ... they have different requirements from us, so I suppose that we've got to understand those requirements and react to them.'

Respondents discussed the differences between business and leisure markets. They emphasised the importance of learning about customers' different attitudes in order to properly approach them. They identified that leisure customers tend to want to know more about the hotel and its local area. On the other hand, business customers are not very interested in *detail about the recreational facilities of the hotel or the local area*. Most of them have been to the hotel before and are looking for a quick and efficient service.

The notion of segmenting the market according to customer's loyalty and value received significant consideration from hotel managers. Some argued that this approach is being applied in some way or another as each hotel recognises its best customers (in terms of value) and tries to deliver differentiated services and facilities to them. Other managers asserted that such an approach requires the acquisition of a more sophisticated database to enable them to track their customers' histories and patterns of purchase. Therefore, they suggested that loyalty and lifetime segmentation could be applied as a "sub-segmentation" criteria. Hotel managers' views of additional models of segmentation are illustrated in Table 5.12.

Table 5.12 Hotel managers' views of additional criteria for segmentation

Hotel Managers	The idea of using loyalty and life-time value as segmentation criteria
Hotel C	'We can do that. We would say for example, who are our top return guests for this month, and I can tell you who they would be. We know who the big spenders are.'
Hotel B	'Yes, we do... there is a way on our system to pull off a report of the top ten spending guests of a particular month. Do we use it? Not at the moment. We probably should, but we don't use it. But there is a facility to do it. I suppose it would be very useful'
Hotel A	'Oh yes, it is segmentation. Is that segmentation?!! I think it is probably confusing, we could call it sub-segmentation. You've got the overall, which is the market segments then you've got to split that down again as to usage and volume.'
Hotel A	'To change market segmentation, every hotel has to change it so we can do our own thing in terms of monitoring this on a separate spread sheet. Then after a chosen period of time we then take it to the people within the organisation and show them a strong case to change market segmentation. This way you get more detailed information on customers.'
Hotel E	'We might start to do that, we have explored the idea of having a customer loyalty card for instance like some big hotels.'
Hotel D	'I agree it's a very good idea. You can target your better business and so on by relating loyalty and life-time value. Yes, I would agree.'

It appeared that the additional models of segmentation were not used in the hotel company. However, it was evident that each participant hotel identified its best customers. Although hotel managers kept records of their profitable customers, they did not appear to use this information. The additional models of segmentation were seen as sub-segmenting criteria that could be useful after the market has been segmented according to the traditional segmentation models. To change the way the market is segmented for the hotels will require, according to the hotels' managers, that all hotels in the group participate in the process and present a strong case to the head office. Furthermore, it will require a more sophisticated database system in order to keep more detailed information on customers.

As stated before, each hotel identifies its favoured customers, in terms of spend, as well as its less favoured customers. Among favoured groups of customers in hotel A are the individual leisure customers as they are responsible for the highest revenue generated. On the other hand, the conference business appears to be the favoured business for hotel B and hotel C. However, this is from a yield management's point of view. 'Only from a yield or sales point

of view, our favoured groups of customers are conference guests because they pay more. We are very much conference orientated.’ General Manager, Hotel C.

The least favoured customer group for the ABC hotel group is the FIT business as it appeared to be less profitable. The General Manager of hotel A stated that, ‘there is one area where, not that I will decrease it but, I won’t increase the marketing efforts and that area is the FIT business that we deal with. This is people like Super Break and Jet Holidays. I will not actively go out and seek that business because I know this year I can spend more time going for a higher profit base and be successful.’

Favoured groups of customers in the DE hotel group include celebrities and large companies such as BT (British Telecom), Clinique and Procter and Gamble as they account for a large proportion of the hotels’ business.

Less favoured group of customers for the DE hotel group is the wedding market as the hotels in this group are not specifically equipped for weddings. ‘We don’t really do weddings, we don’t really have the facilities, you’ve seen the sizes of our rooms and they’re relatively small. So unless it was a small wedding party of say thirty guests, we could do that. We occasionally take in a couple of wedding receptions’ Reservation Manager, Hotel E.

Hotel managers stressed the importance of recognising high value customers. They added that they value their relationships with British Telecom and Clinique as high value customers. Therefore, the need for an improved database system to store more detailed information on high value customers was raised by the research in-depth interviews. According to the General Manager of hotel D, ‘we don’t have that capability right now, but I think there are

plans in the future to improve our database. I hope that in the future there is a better database system so that we can have a link between all the hotels in the group.'

It is significant to note that hotel managers seemed to associate loyal customers with repeat purchase and they regard them as 'return guests'. They also considered valuable customers to be those who generate the best revenue for the hotels. 'In terms of value, it's the leisure guest that always brings home the revenue for us. I think that the leisure group would always be our favourite as they contribute to the highest average room rate and their additional spend is quite immense.' General Manager, hotel A. When asked about lifetime value, hotel managers did not seem to be familiar with the term. Furthermore, the front office manager of hotel A provided a limited approach to the lifetime value of a customer that seemed to be associated only with leisure customers and their generations. He said that 'the lifetime value of a customer goes on through generations. We want people to keep coming back because *their* mother and father brought them here. We want them to come back because they had their honeymoon here, so they will keep coming back for their anniversaries. We want them to come back because they just had a good time here so it brings back happy memories for them, we want them to constantly think of hotel A.'

There was no evidence of calculating customer lifetime value at any of the participant hotels. However, hotel managers asserted that they kept records of their national key accounts in terms of the profit generated by them. No data was accessed by the researcher on the national key accounts.

5.7 Findings from customer research

Qualitative customer interviews were carried out with 20 of XYZ hotel company's customers.

This section presents findings from customer research into both brands. The findings are presented under the following headings:

- Reasons for choice
- Purpose of stay
- Volume and frequency
- Customer relationships
- Customer loyalty
- Customer expectations
- Suggestions for improvements

5.7.1 Reasons for choice

Customers' reasons for choosing the hotel company were various. They can be grouped in three categories. These are first, hotels' attributes; second, convenience; and third, hotel staff. Respondents who choose the company for its hotels' attributes expressed their satisfaction with the good and flexible service, the good atmosphere that led to a good experience, sufficient meeting facilities and the brand image and interesting style of buildings. Table 5.13 summarises the reasons attributed to the type of hotels, while Table 5.14 shows the staff related reasons.

Table 5.13 Reasons for choice (hotel attributes related)

Hotel attributes	Interview transcript extract	Customers of
Atmosphere	'I really like the atmosphere'	ABC
Types of hotels	'the type of hotels suit me, it's my particular type of hotels, which is like a small country hotel with plenty of green areas around it and I like the atmosphere'	ABC
Types of buildings	'Why would I choose one? Because they are all nice, they are all in outer places. They are not new hotels. The one we mostly use is ... It's an old building which is very interesting'	ABC
Meeting facilities	'That one suits us because it's got the conference facilities we need'	ABC
Hotel image on the internet	'when I looked on the internet at the hotel, it looked like a very nice place'	DE
The brand image and the informal style	'I'm aware of the image of (DE) I guess, and they've got quite a stylish but laid back image and it just kind of suits what I like. Their informal style is how I would perceive them even before I have been , but that's what I thought of them.'	DE
Style of décor	'The type of décor appealed to me very much'	DE
Being different	'I don't know them that well, but the feeling I got is that they are not run of the mill, they are different.'	DE

Table 5.14 Reasons for choice (hotel staff related)

Staff related reasons	Interview transcript extract	Customers of
Flexibility of service	'I must say service was very flexible' 'The service was really incredible'	ABC
Friendly staff	'The staff were very friendly' 'I find them very hospitable, they do their best to please you'	ABC
Dedicated hotel managers	'The present manager is an excellent chap. He adapts to everything he sees and standards are kept up'	ABC

It was interesting to note that customers of hotels D and E did not identify staff-related reasons for their choice of D and E hotels. This could be due to the approach taken by staff with customers in D and E hotels, which appeared less interactive.

Other respondents opted for the company because the locations are convenient for their business. As one hotel customer said, 'just convenience for our type of business.'

Hotel managers and staff in the ABC hotels represented a reason for choice of respondents. Customers were satisfied with the flexibility of service hotel staff provided. It is interesting to note that some customers who expressed their satisfaction with the hotel staff and managers were still in contact with some of the hotel managers. This conforms to the previous findings associated with the interactions between customers and hotel staff and managers in an ABC hotel. On the other hand, in the DE hotel group a less interactive approach was employed towards customers. Some customers chose the hotels upon friends' recommendations.

5.7.2 Purpose of stay

The majority of respondents used the sample hotel company for both business and leisure, however, their business visits represented a higher proportion than leisure ones.

Some customers used the hotels for the first time as business venues, then decided to return back with their families for leisure purposes. As a hotel customer described, 'I've used it first for a conference and afterwards I've been there few times just for leisure.' Another customer added 'the vast majority is business but some leisure too.'

5.7.3 Volume and frequency

Respondents' period of custom ranged from two to three years. As for frequency, respondents can be categorised as infrequent, occasional and frequent. Table 5.15 illustrates respondents' frequency.

Table 5.15 Respondents' frequency

Frequency	Infrequent	Occasional	Frequent
Average number of nights spent at the sample hotels per year	Less than 10	11- 50	51- 200
% of respondents	55	20	25

It was apparent that one quarter of all respondents used the hotels on a regular basis, from 51 to 200 nights a year. This showed that the hotels enjoyed a considerable base of regular customer.

5.7.4 Customer relationships

According to the respondents who believed that they had a relationship with the company, the sample hotel company had positive relationships with its customers. Customers' relationships were described to be good, reliable, fulfilling, loyal, and friendly. Table 5.16 presents how respondents perceived their relationship with the company.

Table 5.16 Customers' relationships

Attributes	Interview transcript extract
Reliability	'Be quite sure that everything is taken care of.'
	'I think it is very reliable.'
Acknowledgement	'They are always obliging and I noticed sometimes when they are busy, if you are a regular customer, you don't feel left out of it. They look after their regular customers well.'
Good relationship	'Very good.'
Friendly	'Very friendly, I like it.'
Mail based	'They send me things through the mail. They just mail me things.'
Loyalty	'I think I'm quite loyal to the company.'

It was interesting to note that respondents who admitted to having a relationship with the hotel company described their relationship as being a good one. They attributed a good relationship to the fulfilment of their needs and to having complaint free experiences. They also highlighted acknowledgement and recognition as prerequisites of a good relationship. Furthermore, respondents emphasised reliability as an important factor for a positive relationship. A hotel customer stated that, 'if you have a certain question or certain demands, they really fulfil them.' In describing the relationship between the hotels and customers, another hotel customer said, 'it's (the relationship) very good, I've never had a problem, and there's never been any complaints when we've had our meetings there.'

However, respondents who perceived that they held a transactional relationship with the company argued that the company was not distinctive in any way. They added that the term 'relationship' did not best describe their situation. A hotel customer said, 'you use the word 'relationship' ha ha ha. It feels pretty transactional to me. It's a transactional relationship. I don't feel anything for them, loyalty or anything really. It's not distinctive in any way, no better or worse than anybody else.' Another customer stated that, '...I'm not conscience of them really, I'm not in a relationship with them of any sort.'

It was apparent that some respondents preferred a transactional approach as they implied that it could be impractical to be loyal to one company. Accordingly, the sample hotel company did not represent their first choice of hotel companies. They emphasised that the decision to opt for a hotel company to be their first choice depends on location, surroundings and facilities' convenience. Those respondents asserted that they would not make a special effort to go to one of the company' hotels. They argued that 'we only use whatever suits us,

whatever has got the facilities that we need.’ Another customer added, ‘I don’t have a relationship with other hotel companies, not in terms of being a regular customer, no.’

It was also evident that leisure customers were the ones who are willing to make a special effort to use one of the company’s hotels and confirmed that the company represents their first choice. Almost all leisure respondents thought that they have a relationship with the company and had no difficulty with the term ‘relationship’.

Bookers have a telephone-based relationship with the company. They emphasised the fact that their decision to use the company is highly influenced by their senior managers’ requests. Furthermore, they are prepared to switch hotel companies if they are advised to do so by their directors. A booker stated that, ‘...I book mainly for our managing director and it depends on what his evening arrangements are and where he goes in the surrounding area.’ Another booker declared, ‘our managing director tells me where he wants to stay, depending on what he’s doing on the night... I can only go with what our managing director says to me. If he were not happy with the hotel we would not go back. He is more likely to comment if he is not happy.’

5.7.5 Customer loyalty programme

ABC hotel group’s customers who were members of the loyalty programme did not seem to acquire knowledge about the different advantages of being a member of the scheme. Earning points was the only advantage that came up in customers’ interviews. Some of them were not even aware of being members as they were members of a number of schemes offered by different companies. A loyalty club member stated, ‘I don’t know any (advantages), just the points.’ Another club member added, ‘... you are telling me, I think I’m a member of few

things but I'm not sure... my partner tends to sort of go around collecting points and different things so she probably said get one of those cards (membership cards) I guess.'

Almost all respondents were members of airline schemes that offer points for purchases of flights or other goods that can be redeemed for discounted or free airline tickets, hotel accommodation, etc. However, this did not seem to encourage loyalty to those companies as they emphasised that they would be still shopping around for a better deal, as indicated by an ABC loyalty club member, 'I travel quite a lot, I do have a few (frequent flyer membership) but not really to say that I stick to one specific airline'.

It was apparent from the observational research that none of the participant hotels in the sample company extended any effort to encourage customers to join the loyalty programme. Although application forms were found in guest rooms and on the front desk, managers and staff did not devote any time or effort to talk to customers about joining the programme. This is confirmed by the General Managers views, discussed earlier, about not encouraging customers to become loyalty club members. This may have resulted in customers' poor knowledge of the programme.

It is interesting to note that although the DE hotels did not have a loyalty programme, it was mentioned by some respondents as a motivator for their loyalty to the hotel group. For example, a DE customer stated that, 'I suppose what would make me loyal is good service, some recognition for staying at the hotel and I think some kind of loyalty scheme might make me a more regular customer.'

Furthermore, some respondents appeared to have relationships with other hotel companies. It was evident that this type of customer is the one that believes in a relationship. They stated

that their relationships with other hotel companies do not compare with their relationship with the XYZ hotel company. An ABC customer declared that, ‘the other hotels I work with ... are more factory like so it’s more impersonal, whereas (ABC) is more personal, from person to person, and that you are treated as a person.’

What motivated customers’ loyalty seemed to be associated with the provision of good service and getting the basics right. Friendly staff and personal service also appeared as important loyalty drivers. In addition, the unique style of the hotels seemed to have encouraged customer loyalty. Table 5.17 summarises loyalty drivers as seen by respondents.

Table 5.17 Loyalty drivers

Customers	Loyalty drivers as seen by respondents	Interview transcript extract
ABC	Good service	‘I think service is very important’
ABC	Familiarity	‘Feel at home’
ABC	Trust - Getting the basics right	‘It’s about basic things, e.g. the rooms have got to be right’
ABC	Rewarding customers	‘If there was no loyalty points scheme, I don’t think to be honest I’d use them in preference to any other hotels’
ABC	Incentives	‘The means of incentivising me to stay there’
ABC	Personal relationships - interactions	‘Personal service, I mean personal relationship with the staff’
ABC-Booker	Satisfying the managing director	‘If my managing director is happy, so we carry on using them’
ABC-Booker	Satisfying meeting delegates	‘We rely on the people who attend the meeting. If one manager isn’t happy, then obviously we can’t use the hotel again’
DE	Value for money	‘I think value for money’
DE	Good service-good treatment-recognition	‘I suppose what would make me loyal is good service, good treatment, some recognition on staying at the hotel’
DE	A loyalty scheme - rewarding	‘I think some kind of possibly loyalty scheme might make me a more regular customer’

Customers	Loyalty drivers as seen by respondents	Interview transcript extract
DE	Service quality- price-décor- staff attitude	'Variety of factors I would say. I would say quality of service, price, the design of the hotel, the attitude of the staff very importantly'
DE	Service quality- quality of food and dining facilities- ambience and decor	'I think probably the quality of service, quality of food, dining facilities and the menus, the wine lists and things and also just the ambience of the hotel, sort of decoration and furniture and so on'

The previous elements mentioned by respondents may not appear to add significantly to loyalty drivers of a customer to a company. However, they represented what respondents perceived to encourage their loyalty to any hotel company.

5.7.6 Customers' expectations

Customers' expectations seemed to vary according to the type of customer. Leisure customers expected to receive the same level of personal service continually, they expected to remain members of the loyalty programme and to earn their reward points. Business customers expected to see more coverage of the company in the UK and other countries. They expected hotels in the company to recognise them, appreciate their business, and to extend a standardised service quality. Business customers, particularly those of high value expect to be treated in a special way. On the other hand, bookers expected hotels to provide the required service and loyalty club members expected to have a wider choice of gifts. Table 5.18 shows the different expectations of the different market segments.

Table 5.18 Customers' expectations

Market segments	Expectations
Leisure	'I'd like to expect that I'll get the same degree of personal service that I had at X hotel when I first started.'
	'Just to continue to be part of the loyalty scheme and if I use hotels and I get points, I would be able to use them.'
	'I suppose what we did get initially and I haven't had any for quite a long time, brochures and special offers that they sent to us, which I think is quite nice. I would quite like to continue to receive those. I wouldn't expect anymore than that.'
Business	'If there would be a possibility to have these hotels in other countries.'
	'I guess more of them (hotels) so there is one close to where I am working right now.'
	'I like to think that I've been one of their biggest customers and that should be returned in the level of personal service.'
	'Standard of service. Knowing my requirements if I stay at the same hotel, I like that. The same meeting room and things like that.'
	'Just the same treatment (across the hotels in the group). I mean it doesn't happen in all the hotels, you say that you're a gold member, sometimes you don't get the benefits which really bothers me.'
	'It would've been nice just to be treated a little bit special, I guess because let's face it I spent over a hundred thousands pounds in the company over the last three years. It would've been nice just to feel that I was getting a bit of a special treatment for that'
Bookers	'To provide the service that we require'
	I use my points to buy things. The only things I can buy at the moment are bathrobes and make up products, but at one point you could buy travel equipment and cases'

According to respondents, customer relationships have been developed through a number of ways. They have developed mainly through customers' first good experiences at the hotels. Customer relationships have also been developed as a result of the proximity of the hotels' locations to their homes or work places. In addition, some respondents stated that their relationships with the company have developed because of the company's loyalty programme. It seemed that the company's loyalty programme encouraged some customers to pursue their relationship with the company. A loyalty club member stated, 'I think I'm quite

loyal to (ABC) because a) the good experience I had in ... b) because they've got a loyalty scheme which is something, given I spent a lot of time in the hotels, I would actually use a lot.'

Even though it was evident in the customer research that customers did not have much knowledge of the loyalty programme in respect of the benefits of being a member except for the point-rewarding scheme, the rewarding points seemed to be the main motive for customers to join loyalty schemes.

It is significant to note that customer research revealed that the ABC hotel group's customers (those who think that they have a relationship with the hotels) felt that they have a stronger relationship with the individual hotels than with the brand. They mentioned that they had the relationship with the managers and staff at the individual hotels. As one customer described, '...mainly with the individual hotels where we book the conferences. I've never had any conversation with the head office at all.' Another customer added, 'it's (the relationship) a very personal thing, it's about the staff and manager generally'. A third confirmed, 'once you go to the hotel, it is not like it's a part of one big factory, you have the feeling that you are talking person to person and not to a big company.'

Due to the uniqueness of each hotel in the group, customers developed stronger relationships with the individual hotels and hotels' staff and managers than with the brand. The ABC hotel group, as a softer brand, offered a less standardised product, which contributed to an individual style for each hotel in the group. It was apparent that the ABC customers had different experiences in the different hotels. Some customers clearly developed an emotional tie with an individual hotel. For example, an ABC customer declared, 'I'm very happy with

it... They have done very well but it does depend on the particular manager a lot, and he is a very good chap ... Well, again I find them very hospitable, very accommodating, they do their best to please you.' Another customer added, 'to be honest, I'm quite satisfied at this moment... the other hotels I work with like Marriott and Hilton are more factory like, so it's more impersonal and this kind of thing, whereas ABC is more like personal, from person to person, and that you are treated as a person... As I already said, I'm quite satisfied with them and the way of working so, I mean, I really want to express that as well.'

The above quotes are extracted from interviews with 2 customers, each of whom was a customer of one particular ABC hotel.

Alternatively, the hard brand, DE, customers expressed their view about having a stronger relationship with the brand than with the individual hotels. Due to the fact that DE offers a more branded product that is standardised to a great extent, customers seemed to know what to expect in each individual hotel in the group. Furthermore, they have developed the relationship with the defined brand as the hotels are standardised to a great extent. However, it is important to mention that the majority of DE customers believed that they do not have any kind of relationships with the hotel group. One customer said, 'I wouldn't say that I've got a particular relationship with them.' Another asserted, 'I wouldn't say that I had a relationship with them'. A third stated, 'I think it is the DE brand, the whole brand. They are very unique as a brand, if you walk into any DE hotel you'll know that you are in a DE hotel.'

5.7.7 Suggestions for improvements

The respondents' main suggestion for the company is to expand nationally and internationally. Business customers hold meetings in different regions in the UK, which compels them to change their venues according to their business locations. With the sample

company's limited coverage, it appeared rather difficult for business customers to restrict their meeting businesses to it. On the other hand, leisure customers particularly of the DE hotel group seemed to hope that the brand would expand in Europe.

5.8 The head office perception

This section presents findings from the in-depth, qualitative interview carried out with the company's marketing director who represents the head office.

5.8.1 Customer relationships

The qualitative interview with XYZ marketing director revealed that the head office develops two types of customer relationships. First, the relationships they have with members of the loyalty programme, complainers and national key accounts (the company's high spenders i.e. mostly national companies who use most of the hotels in the group. Second, the relationship they develop with customers through direct marketing promotions on both leisure and business sides. Promotion activities are mainly carried out by the head office with a group of partners such as American Express. A mail-based relationship is encouraged with customers and customers' feedback is sought continuously to improve services.

The marketing director explained that the role of head office is seen as being to build an initial interest in the hotels. Then comes the role of the individual hotel units where the head office loses control over customer interactions. She stated that, 'It's strange where you lose that control of the line with the customer. When they (customers) start making the booking and they ring up the hotel or they ring up for a brochure, from that moment the relationship is in the hands of that individual hotel.' From the observational research, it appeared that

customers could be treated in different manners by the individual hotel units which means, according to the marketing director, that overall customer relationships could be jeopardised.

The company's national sales team maintained 15 to 20 key accounts whom they contacted twice a month. Key accounts were invited to various events in the hotels such as showcases where the hotels in the group are promoted. The marketing director stated that, 'instead of going to exhibitions like Compax we actually hold our own show case at the hotels and invite these people (key accounts) in to interact with our sales people. If they start to use a couple of other hotels they may be considered for a key account. As a result, this year we beat our sales target by three million pounds and that was driven by proper customer contact, customer relationship management and actually it also made us review our loyalty programme.'

The marketing director argued that the head office often focuses on cross selling the group. This according to her might not be the best approach to communicate with customers. This is because some customers prefer to use the same hotel in the group over and over again. Such customer relationships are seen to be best promoted by the individual hotels in the group. She added, '...you asked me earlier about the head office relationship. I mean, sometimes the Head Office relationship is inappropriate. You obviously want to get that dividing line between people who may not want to go to the same hotel for their meetings. They may want to give customers and their staff a change of venue, but there are some companies in our associate memberships here who only ever use one hotel and that is more appropriate. Instead of them being talked to by someone at head office, they should be talked to by somebody from the hotel.'

The marketing director's view about developing the relationship with the individual hotels conforms to the research findings from ABC customer interviews where customers asserted that they have a stronger relationship with the individual hotel than with the whole brand. However, this is not necessarily the case with DE hotel group where most customers, who believed they had a relationship with DE, revealed that they have a stronger relationship with the hotel brand than with the individual hotels.

Relationship marketing, according to XYZ marketing director, is to develop the relationship with those customers who are interested in one. She said, '...ha ha ha, how I look at it is truly setting up a relationship with a customer who wants to have the relationship with you.'

It is also seen as a mutual relationship with a customer where they offer the company their business, loyalty and feedback in return for the services and facilities. She added that 'it's a symbiotic relationship, you're offering something and they're offering you their money, their loyalty and their feedback and I truly believe that in relationship marketing you should be communicating regularly.'

The relationship is seen to be developed, according to the marketing director, through managing the communication flow with customers. This can be achieved by maintaining open telephone and fax lines to encourage customers who are aware of the company, to stay in contact.

Relationship marketing is also considered to be a way to anticipate customers needs and requirements in advance and even without the help of customer research. This in turn helps to provide more personalised and customised services. The marketing director asserted that, 'I think true, true relationship marketing would be to take it one step further than that and

actually anticipate customers needs and requirements before even they think about it themselves. I think DE is just on to that side of things, it's a hotel group that says we know what people want, we believe we know what people want, we don't want customer research'

The concept of 'reading customers' in DE hotel group was brought up in an interview with the operations managers. It aims to anticipate customers wants and preferences. However, the scarcity of staff-customers interactions could make this concept difficult to employ. According to the marketing director, the relationship marketing strategy should focus on the customer as a priority. Keeping in touch with customers and recognising their individual needs are considered to be the fundamentals of success. She said that 'in a relationship marketing concept, you have to put the customer first as a priority. It's true and I believe actually that it's the route of all successful businesses, if you truly are putting the customer first your business cannot fail and that's because you are keeping up in touch with what they want. *The fundamentals of the success of the company is to recognise customers and adapt to what they want, to be adaptive and to recognise their individual needs.*'

The advantages of relationship marketing are seen to lie in increased sales and cross selling the hotels in the group. Relationship marketing also helps to retain valuable customers. The marketing director stated, '...you would be surprised at how much you can do as a result of building relationships with customers, whether that is selling or whether it's cross selling between hotels. That's one side, and also how valuable the customer is, and if you can see the power of that you become a convert to having a proper relationship with a customer'

However, it can be argued here that the limited resources of the company and the lack of a sophisticated database system make it difficult to achieve that level of relationship mentioned

by the marketing director. Furthermore, interviews with the company's hotel managers revealed that they do not have the process to learn about customers and build and maintain long-term relationship in such a way.

5.8.2 Lifetime value

When asked about customers' lifetime value, the marketing director argued that it's difficult to consider or calculate lifetime value on the leisure side of business. This is due to the small number of customers' short breaks or weekend stays per year and the fact that leisure customers tend to change their leisure venues as part of having a new experience. Although leisure customers could remain loyal to the company as a result of their good experiences, their life time value still remains a difficult issue to consider due to the infrequent purchasing pattern. She added that 'people want to come and stay. They may have stayed 2 or 3 short breaks a year ... they enjoyed staying with you, but it's getting round to staying with you again, it can take years, and their loyalty can remain with you for years. It's harder to monitor that as a sort of repeat purchase, it's not like going in and buying something or a retail element.' It seemed that the marketing director overlooked the possibility that people may go to different hotels in the same brand which makes it significant to calculate their lifetime value.

The marketing director added that, on the key account side, customers' value in terms of spend, the life-time value and their importance to the company are monitored. Their spending patterns are also monitored to determine any fluctuations.

The marketing director associated customer lifetime value with their spend during their various stays at the hotel. It was emphasised that customer loyalty to the company is quite

substantial. This is due to the positive customer response to the company's market research when customers were called to participate in a number of focus group interviews. She stated that, 'as you saw when we underwent our market research, normally it is very difficult to get customers to come in. It's hard enough for business purposes but, to get customers who only use you for your weekends to come in to offices and talk in there easily, come up to London, and talk about the hotels, it's actually quite exceptional loyalty and I think that was very important.'

As mentioned before, ABC developed a loyalty programme that was run by an external company. Due to their dissatisfaction with the service provided by the agency that ran the loyalty programme, as well as customers' complaints about unprocessed points, the relationship was terminated and the head office decided to run the programme.

It was evident from the observational research in the ABC hotels that a considerable number of customers complained and expressed their dissatisfaction with the loyalty programme particularly, with problems of redeeming reward points earned. The marketing director explained that the company running the loyalty programme did not interact with people on an individual basis in order to find out about their individual needs and preferences. She attributed that partly to its deficiency in adapting to the rapidly changing information technology and partly to the market changes.

5.8.3 Market segmentation

National key accounts were classified as an important segment for the company from a head office perspective. While bookers, particularly those who work on a commission basis, were identified as a less important customer segment as, according to the marketing director, they

do not express enough loyalty to the company. Commissionable bookers tend to look for the right price. The marketing director stated that 'the booker is either the actual booker within the company, or a commissionable booker who does not show as much loyalty because he is a conference placement agent looking for the right price, for margins, for good revenue back and their loyalty may be driven by different things.'

The previous two segments do not however, appear on the standard market segmentation document applied in the company's hotels and presented earlier in this chapter.

Segmenting the market according to customers' value seemed to be an interesting approach to the marketing director. She argued that this approach is quite advanced for a small company. However, she indicated that they segment customers according to value through the three tiers loyalty programmes. She explained, 'we do, and in fact the whole customer loyalty programme as ever I think companies jump in with customer loyalty programme without necessarily reviewing the whole process of high value, low value whatever, so we created our customer loyalty programme with three tiers, Standard, Gold, and Associate level which is called Bookers and we could differentiate between our customers.'

It was argued that the Gold Level Members, as high value customers, were treated differently. Gold Members were provided with additional services, recognition and perceived benefits in order to make them feel that their special loyalty was rewarded. The head office assigned a task to look at high value customers, their value in terms of spend, the number of previous stays, the number of delegates per stay and the type of booking they employ. From that task it appeared that most of the revenue generated was accounted for by that small percentage of customers. The marketing director said 'we have the advantage of creating the tiers from the very beginning and, interestingly enough, they proved that the old 20-80 rule that 20% of

your customers provide 80% of your revenue and it was interesting to have a loyalty programme that actually backed up all that sort of academic research and marketing customer relationship.'

It is significant to note that at the unit level, there is no way of identifying Gold Club members or high value customers upon check in. It depends greatly on front office staff initiatives to find out about the status of a hotel arrival on the day and to make a note of Gold members or high value customers. This however, was not employed by most of the sample hotels and led to customer disappointment when not recognised.

5.8.4 Database

The type of information the Head Office keeps on customers includes customers' names, home and business addresses, telephone numbers, gender, date of birth (intentionally for birthdays and celebrations) and marital status. Fidelio is used to store this standard type of information about customers. The company's database also includes their identified prospects i. e. customers who telephone the company to request brochures. Prospects are mailed regularly with offers and reminders about the company. Furthermore, their activities are monitored so that if they start booking one hotel for two or more times then their cases would be handled by the sales manager at that particular hotel. Information stored in Fidelio is used to identify the most frequent and most valuable customers. However, according to the marketing director, this is not practised by the individual hotels which seems to contradict what hotel managers claimed about knowing who their best customers are. The marketing director explained 'basically, we organise everything to make sure that we use and downloaded all the Fidelio information. We look at who are our most important, our most frequent

and our most lucrative customers and we break down who they are. Often the hotels are not willing to do that, they haven't identified the most valuable customers.'

It was also evident that the Head Office gathers other types of personal information about customers such as if they have children, hobbies and favoured activities. Whether customers are members of frequent flyer or car hire loyalty schemes and other travel related programmes is also sought. As for the loyalty club members (Standard and Gold levels only), they are asked for more information such as the type of newspapers they like to read, their preferred welcome drink and the type of room they like e.g. smoking, non smoking etc. On the other hand, associate members (bookers) are asked about the volume of meeting business that they bring to the hotels; the type of meetings they book and whether they book for meetings only or for over night stays too. They are also asked about how many delegates they book for, the purpose of their meetings (e.g. training, board meeting or sales incentives), the type of meeting facilities they appreciate and, on an IT side, what they need and what is essential to them. Information kept on associate members also includes how many times they book hotels for those types of meetings and whether or not they use other hotels for any other types of meetings.

The marketing director emphasised that each hotel in the group should take the information gathering process further and try to learn more about customers during their stay at the individual hotels. She explained, 'they (the individual hotel units) will be the ones who collect the extra little bits of information on the remark side, like if you like the salmon on white bread, those are the ones that actually make the difference.'

She added that learning about customers and keeping information on their personal preferences in the system could make a real difference to developing customer relationships.

Using information such as customers' preference for square pillows or very early wake up calls, for example, would impress customers.

Nevertheless, the marketing director raised the fact that the database is not centralised across the whole group. She pointed out that centralising the database will be one of the company's priorities in order for the hotels to pull data together and to identify their best customers. It is also important to make sure that the company keeps their best customers within the group. She suggested that the people behind this would be the finance director, the operations director and the marketing director at the time. She asserted that '... it (the database) should've been linked between hotels so the information could've been shared on network and the head office could input information back to the hotels, but we're getting there.'

The marketing director added that the database system could be used to personalise the letters sent to customers. She also attributed the deficiency in their database system to the hotel industry's information dependence on systems such as Fidelio. She argued that hotel groups are locked into systems where information technology is monopolised by a couple of groups such as companies like Fidelio, which was found to be inflexible. She added, 'for an industry where you are obliged to collect data we have a poor linked- technology to back that up and we are locked into companies like Fidelio, who are inflexible. They use outdated systems, they don't have an easy interface and most importantly they do not allow two way communication.'

The inflexibility of Fidelio made it difficult for the head office to input information on customers and send it to the hotels in the group. This problem affected the flow of information within the group and resulted in the inadequate input of information. The marketing director asserted 'one of the biggest problems of our loyalty programme is that

instead of being able to collect data and send it out to the hotels electronically, we have to send it on paper and we have to rely on the hotel to input it. Some hotels are good at that and some hotels don't know what to do with it, it may even arrive and a member of staff just look at it and put it in the bin.'

5.9 Conclusion

This chapter identified the issues involved in researching relationship-marketing practices in hotel groups with harder and softer brands. It also highlighted market segmentation and the different approaches to treating different market segments.

It is evident that relationship marketing as a term is not in use in the sample hotel company. However, its concept is recognised. Issues identified in this chapter in relation to relationship marketing revolved around a one-to-one approach to relationship marketing. However, hotels in ABC, the softer brand hotel group where customer relationships seemed to be stronger with the individual hotels, applied different approaches to interacting with customers. It was evident that only hotel A was customer relationship orientated. On the other hand, hotels in DE, the harder brand hotel group, where customers appeared to have a *stronger relationship* with the brand, followed a consistent approach to dealing with customer, even though it didn't focus on customer interactions.

Customers appeared to have different relationship expectations according to their purpose of visit. Therefore, it seemed difficult to segment the market according to the relationship needs as one customer might have more than one role and might belong to more than one segment, therefore have different relationship needs.

Apart from the general managers claims at the start about treating all customers the same, different market segments were treated differently in all the sample hotels. The suggested additional criteria of segmentation were potentially considered by hotel managers as they found them useful in obtaining detailed information about their profitable customers. However, they were seen as sub-segmentation criteria. A discussion on the research findings and their relevance to the literature is provided in chapter 6.

6 Chapter Six: Discussion

6.1 Introduction

This chapter discusses the research findings by emphasising the emerging themes from the primary research. It explores the practices of relationship marketing in the sample hotel company, refers to the different approaches taken with different market segments and puts forward a model of relationship marketing practices at the unit level.

This chapter starts by pointing out the different themes that emanated from the primary research and linking them to the reviewed literature such as the customer's side of the relationship, customer's loyalty aspects, brand personality and customer relationships, cultures within hotels, staff attitude and the role of the database. It then proposes a model of relationship marketing at the unit level according to the research findings. This chapter concludes by discussing the link between relationship marketing and market segmentation and bringing it together by taking relationship marketing as an approach to market segmentation.

6.2 The customer's side of the relationship

It was apparent that customers had two different attitudes towards relationships with hotels. These are transactional driven customers and relationship driven customers. Transactional driven customers are those who may buy a product once or repeatedly, due to convenience or high switching costs, with no feeling of commitment or willingness to develop a closer relationship with the supplier (Gummesson, 1999). They could be also described according to Usunier (1993) as disloyal. He specified that disloyal customers are those who switch

from one brand to another. This could be associated, according to Usunier (1993), to the standard behaviour of testing several competing products consecutively.

On the other hand, relationship driven customers are those who are willing to enter or develop a closer relationship with the supplier. In the loyalty ladder (Christopher, Payne & Ballantyne, 1991) clients, supporters and advocates represent this type of customer and are described as less brand conscious (Usunier, 1993). They are principally loyal and not so inured to rational price/quality comparisons of products.

The customers who found it difficult to associate with the term 'relationship' appeared to be transactional focused. It was evident that these types of customers did not believe in relationships with any hotel company. They found it difficult to remain loyal to any particular hotel company. Consequently, this creates a significant challenge to the hotel industry. These customers appeared to be mainly opportunity and price driven. Moreover, their loyalty seemed to be based on convenience of location or price. In other words, it was evident that this type of customer makes the decision to use a certain hotel based on a set of criteria such as location, price and facilities needed for business or for leisure.

On the other hand, customers who considered themselves to have a relationship with the hotel company evidently placed emphasis on the human elements of the hotels, represented by the staff and managers. They highlighted the friendliness of staff and management as important factors. It was evident that the hotel's perception of the customers' changing needs and its adaptation to them formed a cornerstone to developing good customer relationships.

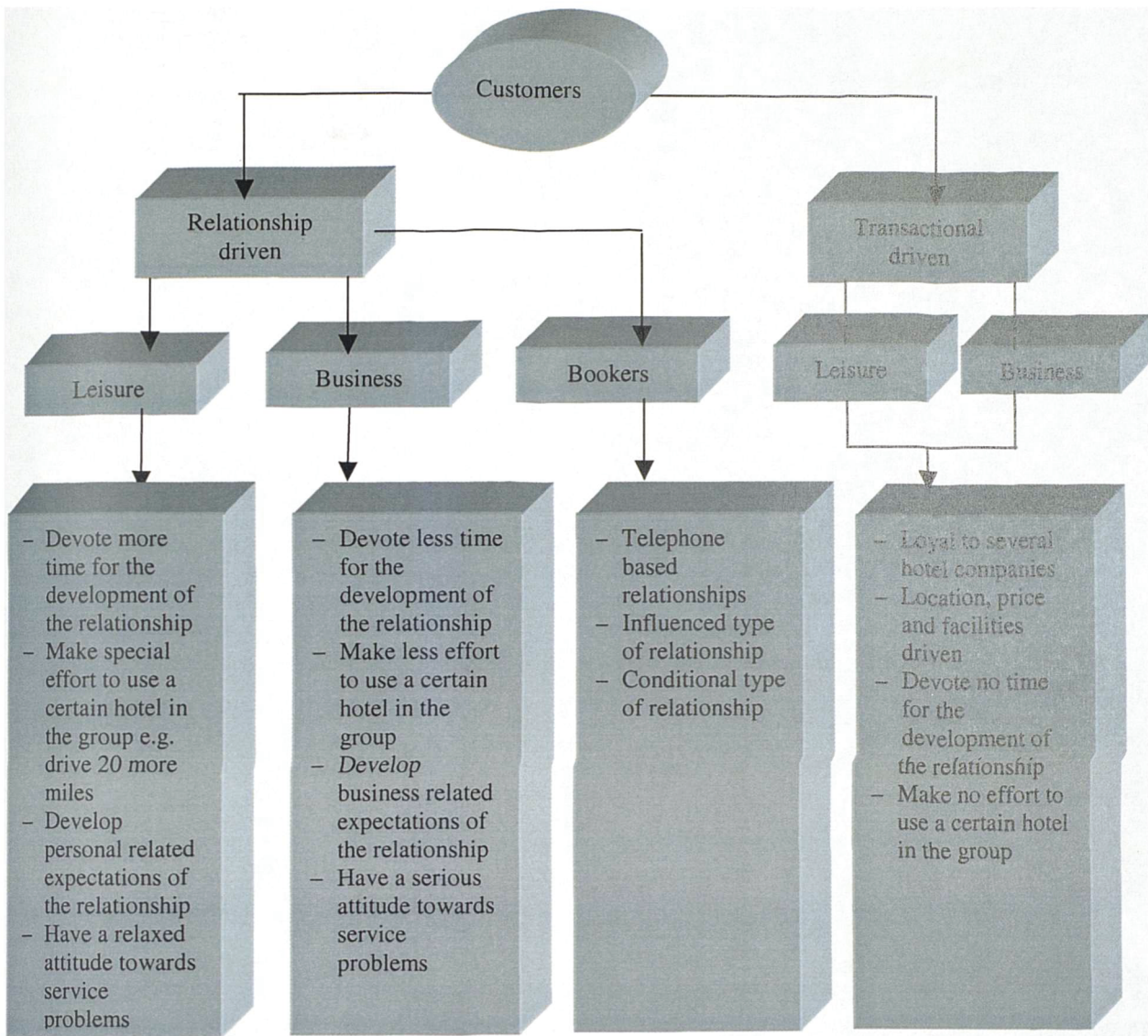
Furthermore, leisure customers appeared to acquire a higher propensity of relationship than business customers. This can be attributed to the flexibility of the leisure customers' schedules, allowing them to devote more time to interact with hotel staff and management. It

can also be associated with the different expectations that leisure customers have of the relationship with the hotel such as expecting to be talked to, taken to their rooms and shown the hotel's recreational facilities. On the other hand, business customers who considered themselves to have a relationship with a hotel in the group, or the hotel company as a whole, appeared to have business related expectations of the relationship. For example, they seemed to expect speed and efficiency as important factors of developing their business relationships.

A distinction between relationship marketing and loyalty appeared in the research findings. Leisure customers revealed their willingness to be involved in relationships with the hotels but represented a less loyal market segment, according to the perceptions of the hotels' general managers. On the other hand, business customers used the same business venues repeatedly, although they were transactional driven.

Figure 6.1 illustrates the two types of customers according to their relationship propensity with the hotels. It classifies the relationship driven customers as leisure, business and bookers. It then describes the relationship profiles of the classified segments and the transactional driven segment as business and leisure. It can be suggested that understanding the customer relationship profiles of the existing customer groups enables the hotel company to decide to whom a relationship can be delivered to and what approach should be taken. For example, a relationship driven leisure customer would prefer a more interactive and personal relationship with the hotel company while a relationship driven business customer would prefer a concise, efficient, and fast interactions. Alternatively, a transactional driven customer lacks time and effort dedicated to the development of the relationship and can be expected to switch companies if a better offer is discovered.

Figure 6.1 Customer relationship propensity model



Hotel companies may look at the previously classified customers (relationship or transactional driven) and re-segment them according to their usage rate, frequency, loyalty and life-time value in order to make relationship-based decisions. This approach conforms to the CRM value chain model (Buttle, 2000) that suggests the appropriateness of identifying the company's profitable customers (identifying strategically significant customers) when implementing a relational approach to marketing. This process implies that companies

should use market segmentation criteria in order to identify and categorise their strategically significant customers with a high lifetime value potential.

The need for market segmentation evolves from the fact that customer relationships are costly. They are time and effort consuming. Some customers require ongoing attention as well as sufficient time to customise the service, making relationships less cost-effective with non-valuable customers. It is also important to consider whether or not the customer wants to engage in a relationship with a company. Peck et al. (1999) emphasised that relationship marketing philosophy does not necessarily mean directing high-intensity, interactive relationships to all customers. Furthermore, it should be recognised that not all customers want or require a relationship with the company.

6.3 Customer loyalty aspects

Although DE hotels did not have a loyalty programme, they still retained a good base of loyal customers. The approach that was taken with customers at those hotels was less interactive and did not endorse offering free amenities or rewards such as room upgrades, free newspapers, welcome drinks, discounts, etc. Nevertheless, the hotels' policies seemed to focus on 'getting the basics right' to building customer loyalty.

It was apparent that the DE hotel group offered a very different product. They differentiated their properties with distinct décor and artwork. This in turn influenced customers' loyalty to a considerable extent as evidenced in the customer research. The way the hotel rooms were designed, including in-room amenities such as a hi fi system with the customers' choice of favourite compact discs, was not offered by many other hotel companies and positively influenced customers' experiences, motivating their loyalty to the brand. Therefore, it was evident that creating a brand personality by introducing a defined and more differentiated

product led to increased customer loyalty. Connell (1992) emphasised that a branded product can establish differentiation and assist in positioning a hotel in comparative markets. This in turn enables the hotel to sustain higher levels of repeat businesses and encourage customer loyalty.

Clearly, if products are differentiated then high brand loyalty can be achieved through transactional marketing. Furthermore, customers can have an emotional tie with a brand without a relational approach to marketing.

On the other hand, the ABC hotels' loyalty programme appeared to be a less effective tool for rewarding loyal customers. Regular customers in the ABC hotels were not necessarily members of the loyalty programme. It was also evident that hotel staff did not make any effort to invite regular customers to join the programme. This could be attributed to the fact that hotels did not aim to have a large number of loyalty club members due to the costs that would be incurred. Furthermore, the sale of the company resulted in a period of uncertainty in terms of continuing the scheme. The fact that the loyalty programme was run by an external company granted the ABC hotels less control over customer satisfaction with the scheme. It also provided no creative opportunities.

It was clear that members had a poor knowledge of what was offered by the loyalty programme. The reason for this can be associated with the period of uncertainty of the programme's continuity due to the company's unstable ownership, which led to the insufficient promotion of the programme. It was also evident that members saw the reward points as the only advantage of the loyalty programme. This proved members' poor knowledge of the loyalty programme. Nonetheless, reward points appeared to be highly appreciated by some members.

The fact that the majority of loyalty programme members were also members of other schemes (e.g. with other hotel companies, airlines or retail companies) seemed to dilute their interest in any one particular scheme. It can be argued that the similarity of the loyalty schemes on offer reduces their general appeal to customers. Bowen and Shoemaker (1998) suggested that it is necessary to build customer loyalty in a way that is difficult to duplicate. Among the factors that Bowen and Shoemaker (1998) recommended as customer loyalty drivers was the need for originality.

Accordingly, it was significant to note that most of the respondents who were members of more than one loyalty scheme did not appear to be loyal to any of the providing companies. Furthermore, it was evident that the main reason for respondent to join a loyalty scheme is to collect award points that can be redeemed for free or discounted services and products. This is attributed to a customer's desire to be rewarded for their custom. It is also related to companies' strategies to emphasise the reward points, ignoring other aspects such as customer recognition or personalised service, as important factors to build loyalty. It can be asserted that the personal element and the relational approach are not sufficiently considered when launching a loyalty scheme. It was evident in this research that some respondents were not aware of their membership to the loyalty programme in the ABC hotels and that some others found it difficult to recall what, or how many schemes they were members of. Therefore, it can be established that, although hotel companies regard loyalty schemes as tools to motivate customers' loyalty and enhance customer relationships, this research indicated that loyalty programmes are a transactional approach to marketing. The lack of individualisation within a loyalty scheme for different customers makes it difficult to provide personalised rewards. Furthermore, the common benefits from loyalty schemes are reward

points, which are not based on customers' needs, wants or expectations. Customers are therefore treated anonymously rather than as individuals.

The ABC hotels' loyal customers, are not necessarily members of the loyalty programme, declared that the personal relationship they have with the hotels cannot compare with their relationships with other hotel companies. Other hotel companies were described as 'factories' delivering an impersonal service when compared with the ABC hotel group. This is due to the diversity of the ABC hotels, as reflected by their different styles and images, which created a degree of competitive advantage for the company. This appeared to be attractive to customers and encouraged their loyalty.

It was apparent that loyalty drivers differed according to the type of customers. For example: leisure customers who were loyal to the ABC hotels stressed the familiarity aspect of the hotels. The fact that they 'feel at home' due to the personal service provided by friendly staff affected their degree of loyalty to those hotels. While business customers' loyalty was developed through the provision of satisfactory meeting facilities. On the other hand, bookers' loyalty seemed to be conditional upon the satisfaction of their business directors, as evidenced by bookers switching hotel companies accordingly.

6.4 Brand personality and customer relationships

The connection between the way the product is branded and customer relationships appeared, from this research, to be a perceptible one. In the ABC hotels, the softer brand group, customers seemed to develop a relationship with each individual hotel rather than the whole brand. Each participant hotel had a unique offer for customers delivered in a different way. Although working procedures were standardised, customers had different experiences with each hotel in the group.

As a less standardised branded product, the ABC hotels' performances varied from one hotel to the next. There was a best and a worst hotel in the group. Furthermore, customers perceived the hotels as completely different entities, from which different products and different treatment were received. Therefore, customer relationships seemed to be developed with the venue, managers and/or the hotel staff. Customers' curiosity about the sister hotels in the group was only motivated as a result of staying at one of the best hotels in the group.

Conversely, customers developed a more defined relationship with the harder brand of the DE hotel group, is associated in the minds of customers with the exquisite artwork and distinct décor. It was apparent that the DE hotel group succeeded in creating a 'brand personality' for its product (Upshaw, 1995; Aaker, 1997 and Enz, Potter and Siguaw, 1999). The DE hotels brought a distinct brand character into being in customers' minds. The brand formed a vivid and live figure that customers could relate to emotionally. Enz, Potter and Siguaw (1999) pointed out that an entrenched brand personality lead to a higher emotional tie to the brand, higher customer preferences and usage and enhanced customers' trust and loyalty.

The DE hotel group appeared to understand its different market segments and to maintain a broad base of loyal customers. However, they did not endorse customer interactions.

Although customers did not perceive that they had a relationship with the D and E hotels, they expressed an emotional tie with the brand. The DE hotel group created a brand personality that is unique and customers appeared to have an emotional bond with it. It is interesting to note that customers had an emotional tie with a hotel brand regardless of the approaches to customer interactions.

Therefore, relationship marketing is not necessary to maintain customer loyalty. The strength of customer relationships with the softer and the harder brand is illustrated in the matrix in Figure 6.2.

Figure 6.2 Customer relationship with the softer and harder brands

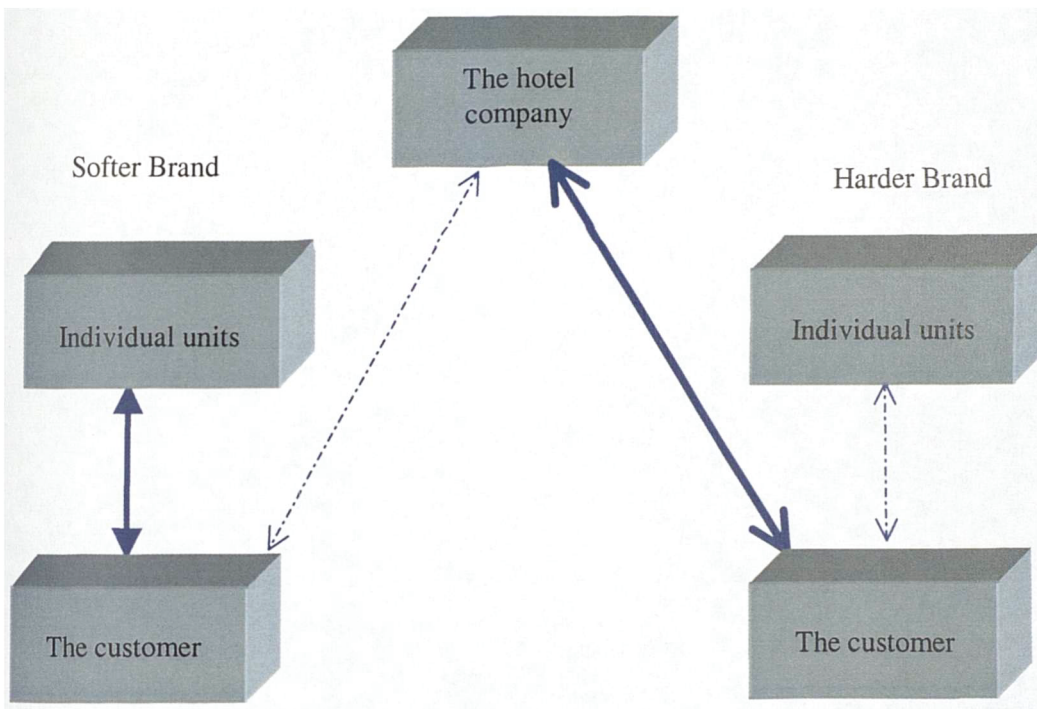
Softer brand	<p style="text-align: center;">Weaker With the whole brand</p>	<p style="text-align: center;">Stronger With the individual hotel unit</p>
Harder brand	<p style="text-align: center;">Stronger With the whole brand</p>	<p style="text-align: center;">Weaker With the individual hotel unit</p>

Customer relationships

Figure 6.2 shows that customers have a weaker relationship with the hotel company's brand in the softer hotel group. It was evident that customers appeared to have a stronger relationship with each individual hotel unit in the group than the whole brand. According to (Slattery, 1991) the consistency of the physical product, service range and pricing are lower in a softer brand hotel company than they are in a harder brand company. This can lead to a more diverse offer that affects the brand image of the company. Customers in the softer hotel group found it easier to develop a stronger relationship with each individual hotel due to the unique experience offered by each hotel unit.

On the other hand, customers developed a stronger relationship with the whole brand in the harder brand hotel group. Here the product is more consistent with a defined brand that, according to (Slattery, 1991), provides a more consistent offer in terms of the physical product, service range and pricing. This is also illustrated in Figure 6.3, which shows the differences in customer relationships between the softer and the harder brand hotel groups. The dotted arrows represent a weaker relationship, while the dark-solid arrows represent a stronger relationship.

Figure 6.3 Customer relationships with the softer and the harder brand hotel group



The marketing director voiced her concern that inconsistent customer relationships with different hotels can negatively affect the brand image. It was apparent that the head office was aware of the different approaches taken towards customers by the hotel units.

interest was developed in the hotels, the head office lost control over any development and maintenance of customer relationships.

The relationship developed by the head office with customers was described by the company's marketing director as 'inappropriate'. This can be attributed to the fact that the head office strives to heavily promote all the hotels in the group despite the fact that certain customers reveal interest in only one hotel in the group. Therefore, it can be argued that a detailed record for each customer can be developed in terms of their location, business or leisure interests and visit history for each hotel in the group. Accordingly, relationships can be developed by those particular hotels. Promoting all of the hotels in the group to all the market, despite customers' specific interest in individual hotels led to wasted effort and resources.

6.5 Cultures within hotels

Although this research does not attempt to measure hotels' culture, it is referred in respect of approaches towards customers, attitudes, understanding about customer relationships and knowledge about customers.

The different cultures within hotels in the ABC hotel brand reflected customer relationships within each hotel. The way customers were treated influenced their satisfaction and shaped their expectations. It was apparent that customers reacted to problems in different ways in the different hotels. The more relational the approach taken with customers in the ABC hotel brand, the more relaxed they were towards service deficiencies and improved communications became possible. However, taking a relational approach with customers raised their levels of expectations. Customers became more demanding and satisfying them was not a trouble-free task.

Levitt (1983) emphasised that the relevance of the product becomes secondary when solutions to customers' problems are viewed in a relationship perspective. This is relevant when the products offered by several competitors are similar. What is essential is the company's strategy to create a culture that is customer focused. The relationship perspective taken to deal with customers' problems resulted in customers' acknowledgement and appreciation of the hotel's caring practices.

The importance of customer relationships to the hotel unit manager, as a role model, influenced staff attitude in all participant hotels. Staff members clearly followed the approach taken by the hotel managers, whether interactive or not. Any manager with a less interactive approach towards customers can result in an inconsistent hotel culture. As pointed out by Duck (1991), it was clear that hotel personnel carried their own personal meaning, values, opinions and attitudes that evolved from their own personality, into relationships. This resulted in inconsistent approaches to dealing with customers, which in turn, affected the culture within hotels.

Management attitude towards customers in hotel A was looked upon by staff as a 'must follow' principal. This stemmed from management attitude toward the hotel staff. It was built on interaction and unified teamwork. Treating staff as internal customers and empowering them to make decision when necessary enabled them to take ownership of their own actions. This affected the way customers were treated and the way their complaints were handled.

Despite the efforts dedicated by general managers to engage in a dialogue with customers and maintain sound relationships with them, those efforts delivered limited success if not

well communicated to the heads of departments. For example, in hotel B, the general manager seemed to take the responsibility of building customer relationships as his own. Heads of departments worked independently from the front of the house. This approach reduced the level of communication between managers and staff and affected the accuracy of information delivered to managers, by staff members, on customers' reaction to problems or to problem handling procedures, which led to dissatisfied customers.

It was evident that the degree to which staff attitude was consistent affected the whole culture within hotels. For instance, inconsistent staff attitude in hotel C made it difficult to identify the hotel's culture in terms of customer treating approaches. Staff attitude clearly influenced customers' impressions about every hotel in the two groups. Positive, confident and interactive staff attitude led to positive customers' impressions. This in turn resulted in satisfactory customer experiences. In a study on the impact of employee attitude on customer satisfaction in a US department store chain, Rucci, Kirn and Quinn (1998), established that an increase of 5.0 point in employee attitude produces a 1.3 point increase in customer impression on a customer satisfaction measure. This brings about a 0.5 % increase in revenue growth and profitability.

Customer relationship development was unsustainable in hotel C due to inconsistent staff attitude. Inconsistent staff attitude might have resulted from a number of reasons but staff shortage was a main issue. The high staff turnover encroaches on the continuity of staff members and this in turn affected the continuity of customer relationships. Furthermore, the absence of the general manager as an interactive role model to staff contributed to the inconsistency of the hotel culture.

However, in the DE hotel group the absence of the general managers as interactive role models to staff did not affect the hotel culture a great deal. This is because the hotels offered a more standardised branded product and applied a less interactive approach towards customers. The differentiated product offered by the DE hotels, through a transactional approach to marketing, appeared to be effective in achieving high brand loyalty.

Staff ability versus staff attitude appeared to be a concern to the general managers' in hotel B and hotel C. Staff ability to properly perform their operational duties was the main concern of those hotel managers. On the other hand, the inconsistency of staff attitude towards customers received no attention. This was attributed to the fact that managers worked in isolation from the front office staff members with whom most of customers' interactions take place. Therefore, the role model played by general managers in hotels is a pre-requisite for the effective implementation of a relationship marketing strategy.

The design and layout of each hotel's front office area seemed to affect the culture within each participant hotel in terms of the extent to which customers were approached and the degree of staff-customer interactions. The situation of the front desk and the way the hotel lobby was designed influenced the degree of staff interaction with customers. Having a customer seating area by the front desk enabled a greater degree of interaction between customers and front office staff. This in turn helped staff in observing customers closely, learning more about them, their families and children, and collect personal information necessary to initiate and/or develop relationships.

6.6 Organisational memory

It was evident that the concept of an organisational memory that combines the company's database with individual staff memories, as discussed by Grover et al (1994), is in practice by the participant company. Given the small size of the company, the customer information system over depended a great deal upon staff memory. Hotels possessed a basic computerised database system with no or little references to customers' profiles in terms of their preferences, previous stays, problems encountered, suggestions or recommendations, etc. Department Heads claimed that database records needed to be improved by using staff memory to record any useful information observed or learnt about customers. By doing this, hotels can develop their learning about customer profiles and build their database with detailed information essential for service customisation. As emphasised by Grover et al (1994), a company's database is not by itself adequate for the development of customer relationships. Organisational memory according to Sheth and Parvatiyar (1995b), represents the integrated knowledge of the organisation and its informational resources.

'Overhearing' customers in hotel A helped staff to build a personal database for regular customers. The key factor was recording the overheard information and communicating it to the reservation department whom customers contact, often before their visit to a hotel. Similarly, staff in the hotels D and E in the DE hotel group personally observed customers to gather useful information to customise the service provided. However, staff memory in these hotels only extended to information on celebrities and a very few regular customers. In hotel B and hotel C, where customer relationships were not considered important, staff members were mainly concerned with the smooth running of hotels on the operational

side. As staff members were not encouraged to collect personal information on customers, service customisation was carried out on a very limited scale.

6.7 Relationship marketing at unit level

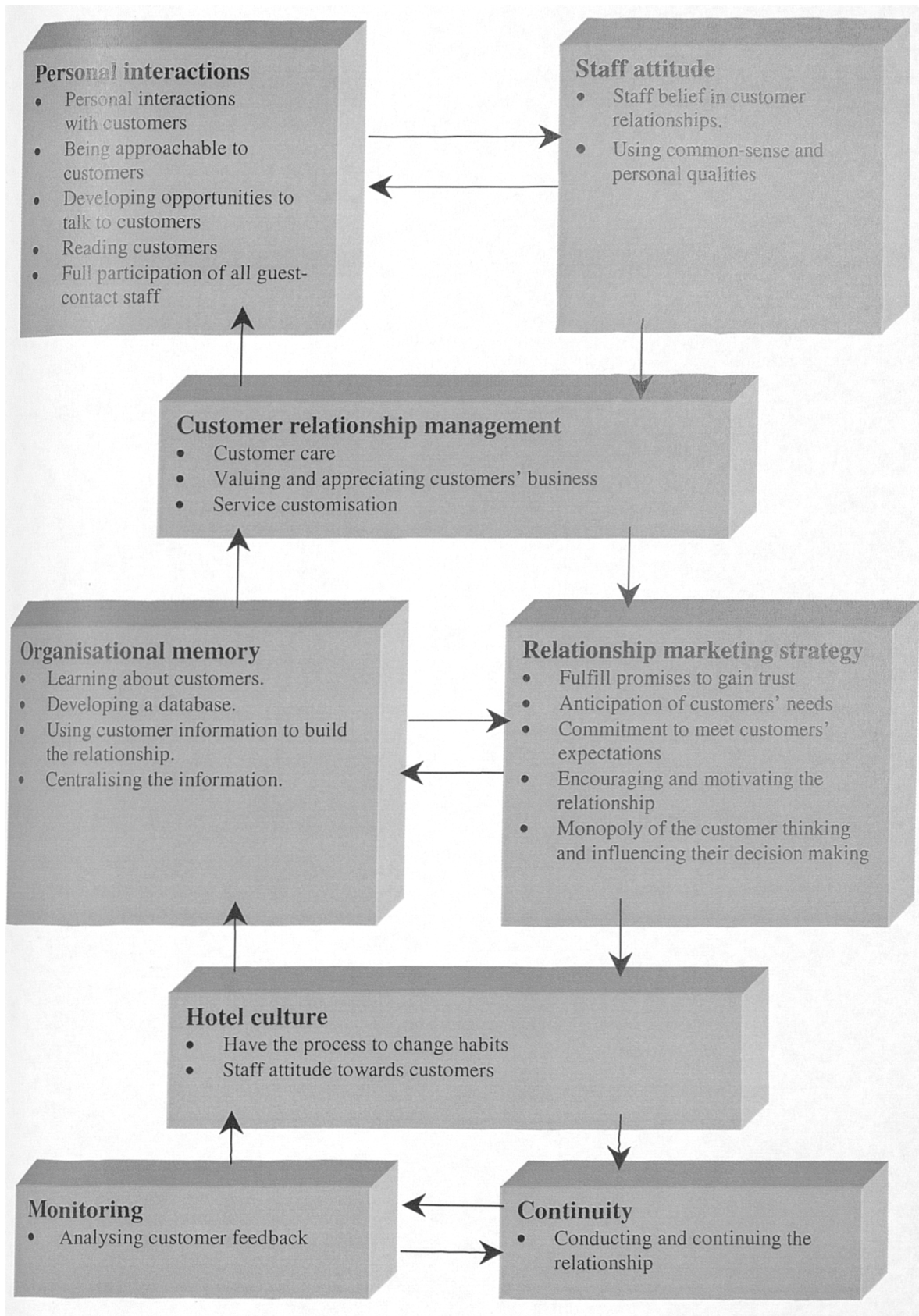
Although the term relationship marketing was not a very well-known term in the sample hotel company, its concept was familiar and it was in practice at some level in some of the hotels in the group. Overall, the relationship marketing strategy represented a challenge to the participant hotel company due to the company's limited resources.

Nonetheless, it was evident that hotel managers had views of what constitutes relationship marketing even though they were not fully applied in all of the hotels. Using their awareness of how to develop customer relationships, the hotel managers put forward a framework of the important issues to pursue a relationship marketing strategy, according to their perceptions. It was interesting to note that among the elements used in the framework, hotel managers emphasised different approaches to relationship marketing according to what they had or lacked in their hotels. For example, in hotel A, where customer relationships were the focus of operations, hotel managers emphasised the importance of interactions with customers in their definitions of relationship marketing. They clearly did not lack in this department. It was also evident that interacting with customers allowed them to develop and maintain good customer relationships. On the other hand, managers in hotel B stressed the importance of staff attitude as a way to change the hotel culture to be more customer focused. As stated in the research findings, staff attitude posed a problem in Hotel B. It was evident that the hotel lacked a positive staff attitude toward customers, which led to constraints in the development of customer relationships. Managers' perceptions of relationship marketing seemed to be driven by

commonsense and reflected what they wished to have at their hotels, what they thought necessary for the relationship and what they lacked in their hotels.

It is significant to note how hotel managers in the XYZ hotel company looked at relationship marketing. Figure 6.3 is developed as a general result of the research findings. It presents an iterative process of relationship marketing according to the hotel managers. However, it is significant to note that what is described below is not necessarily what is applied in the sample hotels.

Figure 6.4. Relationship marketing: the iterative process as seen by hotel managers



As shown in Figure 6.4, hotel managers (in all participant hotels) suggested that relationship marketing should be seen as an iterative process, focusing on the integration of a number of elements. After further discussion on the subject, they established that relationship marketing can be seen as a personal interaction technique that takes customer care as its focus. This technique depends a great deal on staff attitude. The role of staff, through the belief in customer relationships, is essential to develop, maintain and enhance long-term, mutually beneficial customer relationships. Hotel managers emphasised that a change in the culture of a hotel, emanating from a 'change of habit' to create a customer focused approach, can help to enforce long-term customer relationships. Through the utilisation of an effective organisational memory, hotels can maintain individual customer's records to provide a personal and customised service. Analysing customers' feedback helps to monitor and control the whole process. The above activities work in an iterative process to achieve the continuity of the relationship and to achieve, according to respondents, domination of customers' thinking and influence their decision-making attitude.

Furthermore, commitment and trust are two factors associated with the delivery of relationship marketing as seen by respondents. It was asserted that commitment is one of the primary factors present throughout a relationship as hotels should always make a commitment to look after customers and attend to their special requirements. Equally, commitment is expected from customers in return for the hotel offering. Customer commitment can be tangibilised in terms of their repeat business and loyalty to the hotel group. Trust was seen by respondents as a factor that, if developed by delivering a consistently reliable level of service, leads to sustained customer loyalty as well as referral business.

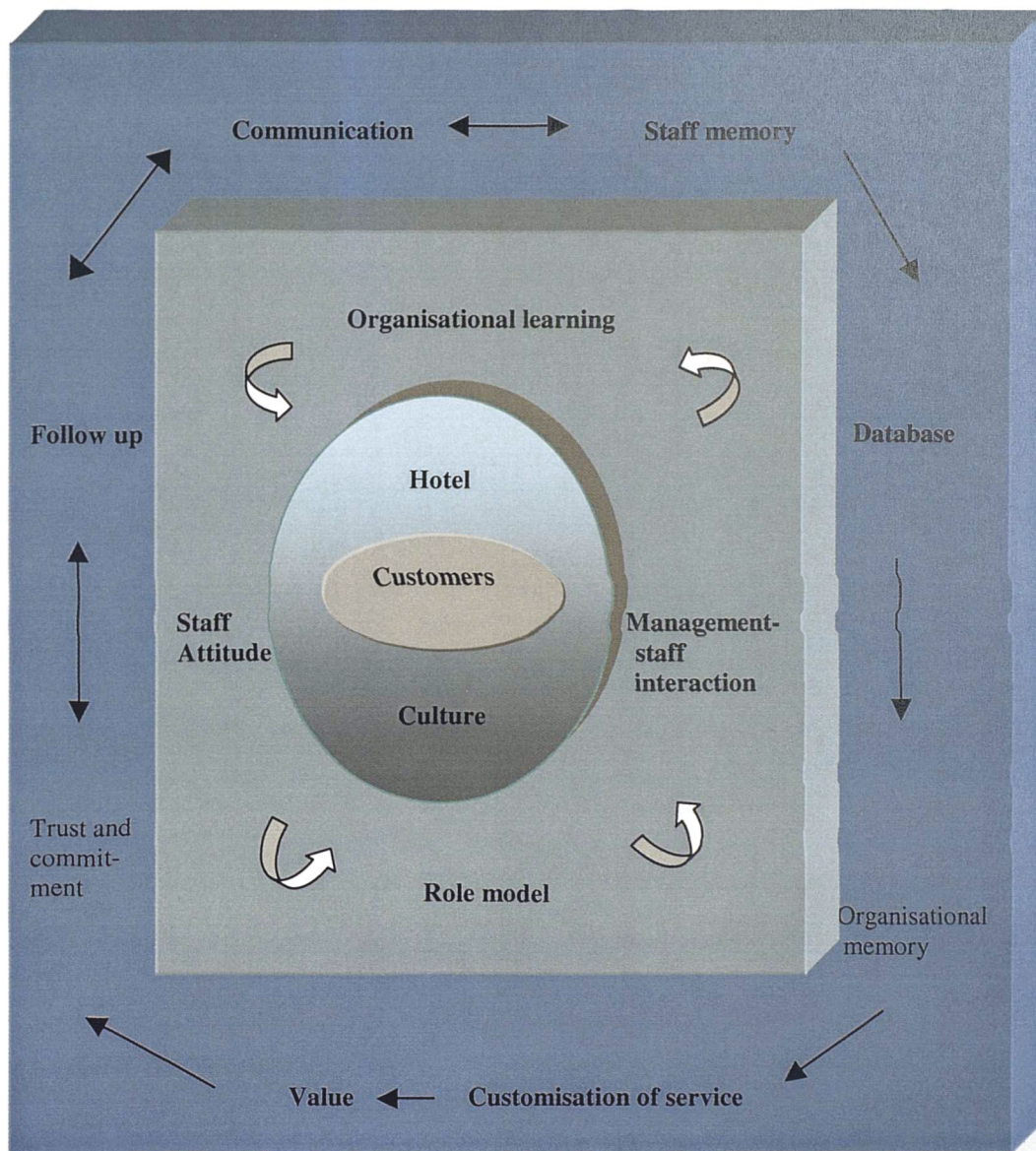
It was clear that the hotels' general managers of the XYZ company pointed out the most important components of a relationship marketing strategy such as personal interactions, hotel cultures, staff attitude, organisational memory, customer relationship management, trust and commitment, etc. However, issues such as market segmentation, customer profitability, the role model played by the hotel general managers were overlooked. These issues appeared in this research to be essential to the implementation of relationship marketing.

The marketing director's belief about relationship marketing seemed to confirm the views of Ingene (1984), Houston & Gassenheimer (1987) and Storbacka (1995) about the nature of customer-firm relationships. She explained the role of each party in the relationship: it is an exchange of the company's offer in return for customers' money, feed back, loyalty and positive word of mouth. Ingene (1984) classified customers' input into the relationship as their monetary value, their time dedicated to the development of the relationship and their psychic effort that could be interpreted as their nervous energy given to the relationship. Customer feed back, loyalty and positive word of mouth could be seen as nervous energy directed to the relationship.

Furthermore, Houston & Gassenheimer (1987) specified the exchange process between the two parties as adding value as a relationship output. Value results from the exchange content and the interaction process. Storbacka (1995) presented his views about the relationship input and output from a firm's perspective in terms of the available resources to acquire a relationship with the customer (input) and the economical result and realised objectives (output).

The model (Figure 6.5) puts forward the notion to develop a relationship marketing strategy at the unit level derived from the research findings. It is a framework that combines the most seen important aspects to build a good customer relationship. This model does not suggest that all the elements presented are in practice in all participant hotels. However, the lack of some elements such as a positive staff attitude, dynamic organisation learning, or interactive management-staff relationship evidently had a negative affect on the development of customer relationships.

Figure 6.5 Relationship marketing at the unit level



The model in Figure 6.5 suggests a relationship marketing strategy at the unit level. Its concept introduces customers as the main focus of a relationship and aims to emphasise the importance of each customer to the company. The customer is the focal point around which the hotel culture should revolve. It is the main objective that businesses should direct their organisational learning strategies to sustain. The type of customer concerned in this model is the end customer who comes in contact with the hotel staff and culture all throughout their pre-stays, stays and after stays. Furthermore, customers at this stage are segmented according to their relationship aspects with the hotel using the model in Figure 6.1. Classifying customers according to their relationship propensity is followed by further segmenting the market using usage rate, frequency, loyalty and lifetime value (Figure 3.2, Chapter 3). Segmentation at this level helps the hotel unit to identify their 'best' customers to whom to direct time, effort and resources.

The hotel culture involves managers as role models for staff. They set the example for acceptable staff behaviour and attitude, which shapes the hotel culture. Therefore, a manager not supporting the customer relationship approach has a significantly detrimental effect on staff attitude towards customers.

By developing organisational learning processes, managers can influence and change staff attitude. Close management-staff interactions help to develop a better communication practice, support the learning process, obtain feedback on the work environment and monitor changes in staff attitude.

Furthermore, communication with both internal (staff) and external customers is considered an important element in the development of a customer-focused culture.

Communicating with external customers, through their favourite method e.g. direct mail,

telephone, email, etc, should be a continuous process to help develop the database system.

The database is represented in the model by organisational memory. Organisational memory combines individual staff memory as well as the company's information system.

It is an integrated approach that leads to service customisation.

Communicating with internal customers is necessary when applying a relationship marketing strategy. Interacting with staff and learning about their progress, problems, suggestions and expectations help the hotel retain staff for longer which positively affects the continuity of customer relationships with the individual hotel.

Service customisation is a process that aims to tailor the product according to a customer's wants, needs and expectations. Service customisation is a strategy used by hotels to accommodate their regular customers depending on the value of each customer.

According to Peck et al. (1999), high-intensity relationships should be limited to customers with the highest profit potential who demand customised solutions for their specific buying problems. On the contrary, a transactional marketing strategy should be aimed at customers with low profit potential and less need for service customisation.

The provision of a personalised service depends on the type of market segment to which each customer belongs. The type of segmentation concerned here is profitability, value, loyalty or usage segmentation. Service customisation is a resources-consuming task that is best directed to the company's profitable customers. Customisation seems to increase the value aspect in customer service. Value here symbolises the perceived gain that customers consider they obtain from the use or ownership of a service or product in relation to the cost incurred (Peck et al., 1999). Personalising the service due to customers' needs, wants and expectations adds peripherals to the core service delivered and could result in

improving customer relationships and motivating customer loyalty. This corresponds to Hunt & Morgan, (1999), views about the offering, taking a relational approach to marketing. They asserted that the offering should be based on value-enhanced products and personalised service.

Trust and commitment represent two of the essential constituents of relationship marketing. Trust here is associated with the willingness of each party to rely on the other (Moorman et al, 1992). According to Morgan and Hunt (1994), trust is an important factor in the development of long-term customer relationships. They added that marketers should make an effort to maintain existing relationships and resist short-term temptations based on opportunistic behaviour. The concept of trust in this model is associated with Gilpin (1996) views. It was asserted that, trust includes all elements of the marketing and operational functions that are necessary to assure the best available rate for the customer, understand customer needs, fulfil promises and be ready to help.

The type of commitment referred to in this model is what was defined by Bowen and Shoemaker (1998: 15) as ‘ the belief that an ongoing relationship is so important that partners are willing to work at maintaining the relationship and are willing to make short-term sacrifices to realize long-term benefits.’ Commitment could also bear the concept of continuity of the relationship developed with *customers*.

Components of this model are not necessarily sequential, as the application of each element could overlap with the other. Furthermore, follow up is an ongoing process that is incorporated in the whole process. Follow up on the progress of customer relationships can be achieved by investigating customer and staff feedback on the service provided and

the relational approach taken by the hotel. Taking the customer and staff views into account helps to improve the delivery of the relationship.

Kotler, Bowen and Makens (1999) introduced the steps to establish relationship marketing. The key point in their approach is to segmenting the market according to the 'largest' or the 'best' customers: the most loyal, the highest value or the most frequent types of customers. They also introduced the notion of converting the company's *culture* to a customer relationship focused through developed job descriptions and training in relationship management. The personal *communication* between relationship managers and a small number of customers was also emphasised as a key element to develop customer relationships. Annual and ongoing relationship *plans* represented a managerial procedure to ensure continuity. Finally *follow up and control* by an overall manager was claimed essential for the relationship effectiveness. The similarities between the two previous models could be illustrated in Table 6.1.

Table 6.1 Key elements/ Similarities in relationship marketing approaches depicted in Figure 6.3 and in Kotler, Bowen & Makens (1999)

Relationship marketing as depicted from the research analysis	Kotler, Bowen and Makens' main steps to establish a relationship marketing program in a company
Customer segmentation	Customer segmentation
Culture-organisational learning	Training – developed job description
Communication	Relationship managers responsible for each key customer or few customers
Customisation -database	Collating and disseminating information by relationship managers
Commitment	Annual, long-term relationship plans

Although the model provided by Kotler, Bowen and Makens (1999) introduced a sort of a manual for a relationship marketing strategy, it failed to stress the role of unit managers as role models to staff members to emphasise a relational culture.

Along the same lines, what was introduced by Gordon (1998) as important strategies to be considered in the development of a relationship marketing approach is seen to be relevant to the model proposed (Figure 6.3). Gordon (1998) emphasised the identification of the customer mix in order to determine the level of resources dedicated to each customer, the learning process so that customer specific objectives and strategies can be determined and following up procedures to ensure that customer specific objectives are met in implementing integrated strategic capabilities.

Similarly, the CRM value chain model introduced by Buttle (2000), emphasised customer portfolio analysis, customer intimacy, network development, value proposition development and management of the relationship as primary stages in applying relationship marketing. Furthermore, it was evident that some of the supporting elements introduced by the CRM value chain model in terms of culture and leadership, human resources management and information technology management were highlighted in the research findings. The existence of those elements or the lack of them highly affected the development of customer relationships whether in positive or negative ways.

Although this research is concerned with business to consumers marketing, literature introduced in business-to-business marketing is seen to be also beneficial. For example the Interaction Approach that was introduced by the IMP group deals with industrial marketing can be partially implemented in terms of the interactions, relationships, networks and atmosphere in business to consumers marketing. Gummerson (1999) argued that even though the network approach is based on case studies of industrial marketing and its theory is only eligible for industrial marketing, there are three indications of generality that can be identified. Firstly, it focuses on market-oriented management. Similar to

service research, it has been established that marketing can be regarded as an attitude to management rather than an isolated or independent function. Secondly, its results lead to rethinking both consumer goods marketing and service marketing. Finally, marketing situations are rarely definite. Almost all companies sell to consumers as well as to organisations offering both goods and services.

The Interaction Approach may thus be relevant to the marketing of hospitality services. It can be established that any supplier of a hospitality service should be concerned with the longer-term development of the business by developing and maintaining a sound relationship with targeted clients. The uncertain nature of the environment in which many hospitality suppliers are currently operating and the growing intensity of competition, may advance the need to the adoption of a more interactive approach.

Gummesson (1999) declared that IMP are increasingly participating in relationship marketing conferences and are being referred to in relationship marketing texts. However, according to Gummesson (1999), relationship marketing has not been found to be an extension or a possible partner to the IMP approach. He argued that 'this however, should not dishearten others from making their interpretations and using IMP research as an input to RM. ... The network approach is also influenced by interorganisational theory, transaction cost analysis and other theories, but above all it is the outcome of the network researchers' own empirical studies' (P.238).

For example, in this study the interaction approach may be seen as useful to investigate relationships with different customer segments in the hotel industry at the unit level, taking into account both the company and the customer's sides of the relationship. It could be based on the hotel culture in which the interactions are taking place, interactions

between staff and customer of different market segments; and networks between hotels and customers. It could also be argued that each customer is a network on its own, as 'no man is an island' each customer interacts with their own world where they are an influencer, supporter, follower, or advocate. It was evident from this research that individual business customers developed networks with one or more hotels in the group that they used regularly; leisure customers assembled networks of their own in terms of influencing friends and/or family to use the hotel company.

6.8 Market segmentation as a key dimension of relationship marketing

Market segmentation appeared in this research to be one of the most important dimensions of relationship marketing. The notion of segmenting the market according to customer relationships with the company i.e. using other models of segmentation such as loyalty segmentation, frequency, usage status, user rate and value is not new. Each participant hotel manager kept records of their 'best customers', had stronger relationships with some customers than the others and had most favoured and least favoured groups of customers. Therefore, they clearly had different levels of customer relationships. However, categorising their customers according to the above-mentioned criteria was not a common practice.

The different relationships each participant hotel had with existing market segments influenced the way customers were treated. It was evident that all participant hotels provided a customised service on a certain level. *Customised service varied within hotels.* It ranged from providing customers with their preferred newspapers (that they paid for) to providing an unpacking service or clearing the Gymnastic room of other customers to accommodate a wish of a movie celebrity. The extent to which service was customised

depended greatly on the value, and in some instances the status, of customers. For example, regular customers were offered their choice of newspapers and magazines. Regular customers were offered accommodation in their preferred rooms while celebrities were offered their preferred type of food and drink, not usually stocked by the hotels. This approach led to a relationship marketing segmentation, where customers were segmented according to the aspects of their relationship aspects with the hotels.

Customers' expectations and reactions to service problems also depended on the extent of their relationship with the hotel. It appeared that regular customers had a more problematic attitude towards service deficiencies than regular or infrequent customers. This stemmed from their high expectations of the relationship they have, or perceive to have, with the hotel. High spending, regular customers seemed to expect to be treated as partners. It appeared that this type of customer sought more recognition and appreciation of their custom. They expected the company as a whole to acknowledge their business and they appeared to have a stronger relationship with the company than with the individual units. As information on this type of customers was not communicated properly across the hotel units, customers were treated in an indifferent manner that seemed to create customer dissatisfaction. This corresponds to Kotler's (1992) levels of relationship marketing. He introduced partnership as the ultimate level of relationship marketing, where the company works with customers towards an affiliation in which they can exchange mutual benefits at a higher level, like in business-to-business relationships. Although relationship marketing based segmentation is not a common practice in the participant hotels, different treatment is directed to different groups of customers based on their value. Therefore, it could be argued that market segmentation according to loyalty, frequency and value is practised at some level. However, it was evident that this

procedure was seen as useful as a sub-segmentation practice. According to the hotels' general managers, sub-segmenting the market using the previous criteria enables the hotels to obtain detailed information on their customers and gain a wider perspective on each market segment's make up, needs and wants. The way managers viewed the additional models of segmentation starts with the overall picture using the traditional segmentation criteria and then re-segmenting the market according to the additional such as usage and volume. Christopher et al. (1999) support this view as they asserted that many companies pursuing a relationship marketing strategy are now endeavouring to employ a much more focused and targeted market segmentation. Gradually companies are shifting to a second level of sub-market segmentation by undertaking 'micro-segmentation'.

The different needs, wants, and expectations of the different market segments influenced the way customers were treated. Although hotels' managers claimed initially that all customers were treated the same, it was clear that business customers were treated differently from leisure customers. For example, in the DE hotel group, where business customers seemed to dedicate less time to the development of the relationship with the hotel staff, staff members avoided engaging themselves in long conversations with them. This was clearly based on the staff understanding of the nature of the business customer segment that uses the hotel. In hotels D and E, it was observed that business customers used the hotels' public areas to continue their work discussions so staff seemed to have reduced opportunities to initiate some kind of informal rapport with that segment. Alternatively, leisure customers in the ABC hotel group appeared to devote more time to interact with the hotel staff. This was met by a mutual interest on the hotel's part, by some hotels, in others the opportunity to develop customer relationships was not taken. The reason for the latter can be attributed to the hotels' limited resources, lack of staff, high

staff turn over, the absence of a role model by hotel managers, the lack of a relational hotel culture, etc.

The favoured and less favoured groups of customers seemed to vary from one hotel group to the other. It appeared to depend on a hotel's market mix and its capacity to cater for specific groups of customers. For example, it was evident that the wedding business represented a less favoured customer group for the DE hotels, as they did not have sufficient capacity to accommodate that type of business. However, as celebrities represent an important market segment for the DE hotels, service was highly customised for a small number of customers. The resources allocated by the DE hotels clearly depended on the company's estimate of the value of each market segment's potential business. Although there was no evidence of the calculation of the profitability or lifetime value of a customer, the celebrity segment was clearly considered a high profile market segment in the DE hotel group as it contributed to the company's image. This conforms to Gordon (1998) views that customer's value not only involves profit but also contributes to a firm's strategic value e.g. improves the firm's image and reputation. This segment also associate with 'benchmarks' introduced by Buttle (2000), who are customers copied by other customers. In addition, they can be categorised as the 'inspirations' who inspire change in a supplying company that can lead to the introduction of new products or services (Buttle, 2000).

The ABC hotel group catered for the wedding customer as they had the facilities to accommodate their needs. The wedding business in the ABC hotels appeared to be important, along with the conference business. Nevertheless, hotel managers expressed

their unwillingness to pursue further relationships with the wedding customers as hotel managers perceived the business as a transactional business that is difficult to keep.

The views introduced by Iacobucci (1994), on the dimensions of relationships, can be useful as an approach to identify relationships in hotel companies. Based on the symmetry of a relationship, its quality, the parties involved, the context in which the relationship takes place, the closeness and intensity of a relationship and the level at which the interactions occur, hotel managers can categorise their relationship worthy customers. There was no evidence of applying any strategies in order to classify customer relationships on that level in the participant hotels. Nevertheless, hotel managers in the two groups classified their most or least favoured groups of customers according to their value. For instant, FIT business was regarded by all the hotels as the least favoured business as it was proved less profitable. On the other hand, large companies such as British Telecom, Clinique, and Procter and Gamble were regarded as favoured groups of customers as they accounted for a large portion of business. It is interesting to note that hotel managers attribute best customers to value or profitability. Profitable customers were looked at from a sales point of view not a relational one. Therefore, it was clear that hotel managers did not plan to extend their marketing efforts or resources to maintain good relationships with their profitable customers, or decrease the efforts and resources directed to their less profitable ones.

It is relevant to note that from the head office point of view, favoured and less favoured groups of customers were viewed differently. National key accounts were categorised as a favoured market segment, while commission-based bookers were regarded as a least favoured segment. The absence of a central database system to link the head office with

the hotel units seemed to pose different views about profitable customer groups, for the hotel units and for the head office.

In addition customers' lifetime value was claimed by the head office to be difficult to determine, particularly on the leisure side. This could be associated with inconsistent purchasing patterns in the leisure market in the company. It was evident that the company had a good base of loyal leisure market. This however, does not necessarily lead to high lifetime value, as leisure customers tend to want to change hotel venues as part of a new experience. Besides, leisure breaks could not be guaranteed as yearly activity by all leisure customers.

On the key account side, lifetime value is scrutinised. Key customers' spending value and purchasing patterns are monitored. It seemed less difficult to monitor lifetime value of key accounts due to the volume of business from that segment. Besides, the small number of the key accounts that the company deals with makes it possible to control any variations occurred.

6.9 Conclusion

This chapter provided a discussion on the themes emanating from the research finding. It pointed out a relationship propensity approach to segment the market. It proposed a model of relationship marketing at the unit level and discussed the essential constituents of relationship marketing as evolved from the research. It also emphasised market segmentation as a key dimension of relationship marketing.

To encapsulate, the practice of relationship marketing at the unit level depends greatly on a hotel culture that is customer orientated. Hotel culture evolves around organisational learning, staff attitude and role models set by hotel managers. In order for a relationship marketing strategy to be implemented, an organisational memory consisting of a database system as well as staff memory should be created.

It was evident that hotel managers were aware of their favoured and less favoured groups of customers. Thus, a market segmentation approach based on value and profitability was utilised at some level. This however did not lead to applying new segmentation or sub-segmentation models in the hotel company in order to classify their market accordingly. However, hotel managers expressed interest in the other models of segmentation such as usage rate, user status, frequency, value and loyalty. It was seen that using those models of segmentation could provide detailed data on customers that could be used to develop good customer relationships. It is perhaps appropriate that the resulting segments might intersect with the more traditional bases for segmentation such as demographic variables, but the potential is that developing marketing strategies focused upon customer value or profitability is likely to succeed.

It was clear that the relationship propensity for a customer is not an indication of his/her loyalty to a company as loyalty and relationship with a company are not necessarily linked. Customers' loyalty can be driven by a number of factors that can have little to do with their relationship with a company. Also loyalty programmes offered by companies in order to encourage customers' loyalty have a transactional approach to marketing and not a relational one. This is further discussed in the research conclusions that are drawn in the next chapter.

7 Chapter Seven: Conclusions and Recommendations

7.1 Introduction

This chapter provides the research conclusions. It highlights the key findings of this research in terms of the key dimensions of relationship marketing, customer relationships with hotel brands and customer relationship propensity. It then links in the main models suggested in this study. This chapter proceeds to make recommendations for the hotel industry and further research and identifies the research limitations and the researcher's personal development.

This thesis has utilised qualitative research methods to examine hotel companies' techniques in developing and maintaining long-term customer relationships and explore the key dimensions of implementing a relationship marketing strategy. It has evaluated the theory of relationship marketing, its evolution, identity, and implementation, and investigate customer-staff interactions, from a relational marketing perspective, in the hotel industry.

This thesis has been structured to, first, provide a review of research on relationship marketing and related areas in order to propound a context to the research. Second, put forward the research philosophy and methods applied in order to investigate the issues underpinned by this research and to meet the research objectives. Third, present the key findings from the qualitative research undertaken to examine the key activities and dimensions applied in mid-range UK hotel groups. Fourth, discuss the themes emanated from the research findings and put forward a model of relationship marketing at the unit level. Finally, draw research conclusions and make recommendations.

7.2 Dimensions of relationship marketing

In recent years there has been a remarkable increase in the number of publications dealing with relationship marketing, its concept (e.g. Berry 1983; Sheth & Paravatiyar 1992; 1995; Stone & Woodcock 1995; Irving & Tivey 1997; Gronroos 1999), evolution (e.g. Gummesson 1994; Hakansson & Snehota 1995; Gronroos 1996; 1999) and key elements (Stone and Woodcock 1995; Payne, Peck et al. 1995; Kotler, Bowen, and Makens 1996; Buttle 1996; and Buttle 2000).

As Lashey (2000) puts it, the wider understanding of hospitality entails the recognition that hospitality is basically a relationship between a host and a guest. An effective hospitality requires the guest to feel cared for through the host's hospitality, feelings of generosity, a desire to please, and a genuine interest in the guest as an individual.

From the theory discussed it is evident that relationship marketing is associated with a number of essential issues. Key words seemed to include relationship management, profitable market segments, internal and external networks, relationship memory or database system, value proposition and/or service customisation and customer rewarding, trust and commitment. A definition of relationship marketing should involve the above issues in order to provide a useful perception of what relationship marketing is all about.

Therefore, relationship marketing is a philosophy that revolves around building and maintaining committed, trustworthy, long-term relationships with a company's external and internal markets. Through the identification of customers' profiles, the utilisation of a sound database, a culture dedicated to the development of relationships and the management of the interfaces involved in the relationship, a value proposition can be made to relationship worthy customers.

Given that market segmentation was identified as an important key element of relationship marketing (Stone and Woodcock 1995; Payne, Christopher, Clerk and Peck 1995; Buttle 1996), the link between market segmentation and relationship marketing was introduced to the literature by authors such as Kotler, Bowen, and Makens 1996; Gordon, 1998; and Buttle, 2000. The targeting of a wider market of customers results in a waste of the company's resources and efforts as well as a confusion of the company's brand image. This in turn leads to developing inconsistent relationships with customers. 'A product-service mix that is focused on a single, well-defined target market helps to keep complexity to a minimum, keep costs low and increase customer satisfaction.' (Enz, Potter and Siguaw, 1999: 56).

Segmenting the market into the two main streams, business and leisure provided minimum information on customers and was not sufficient for managing a relational approach to marketing. While acquiring a market segmentation approach that utilises other models of segmentation such as loyalty, value, user rate and usage status can enable companies to gather more detailed and specific data on customers' profiles. This will allow companies to target their most profitable customers and decide for whom a relational approach to marketing is most appropriate.

7.3 Customer loyalty and relationships with hotel brands

A softer brand hotel group takes different approaches towards customers as a result of being less standardised. This leads to developing different customer relationships by each individual hotel in the group, which affects the brand image. Therefore, customers will have stronger relationships with each individual hotel and overlook having a relationship

with the brand. In this case, by targeting a broad market and not focusing on a specific target market the companies' brand image will be inconsistent.

On the other hand, a harder brand hotel group tends to take a more consistent approach to marketing towards customers. Consistent service quality standards, with no extra amenities but customised service to important groups of customers, provide a consistent approach towards customers, which seems to preserve the brand image and enhance brand loyalty. Therefore, customers of harder brand hotel groups tend to have a stronger relationship with the brand than with the individual hotel units. Furthermore, a company that differentiates its products and services can achieve high brand loyalty through the implementation of transactional marketing. Therefore, this research emphasises that transactional marketing can promote brand loyalty through the differentiation of the product. The emotional tie that customers can have with a hotel brand does not depend on a relational approach to marketing. Moreover, each market segment could be suitable for a transactional approach regardless the type of the product or the brand.

Although relationship marketing aims to achieve higher customer loyalty, customer relationships and customer loyalty are not necessarily linked. Customer loyalty to a company does not depend on their relationship propensity to that company. Companies with large base of loyal customers do not necessarily implement a relationship marketing strategy towards those customers. Furthermore, customer loyalty can be motivated by other factors such as convenience or scarcity of other choice. Therefore, depending on the offer, both relational and transactional approaches to marketing can achieve high brand loyalty effectively.

The role model played by unit managers in companies affects the implementation of relationship marketing. In order to assert a relationship marketing strategy in a company's culture, middle managers should set the examples for employees to follow as the role model played by them changes the whole culture within the company. Therefore, this research asserts that general managers' role models are particularly important for the implementation of relationship marketing in hotels.

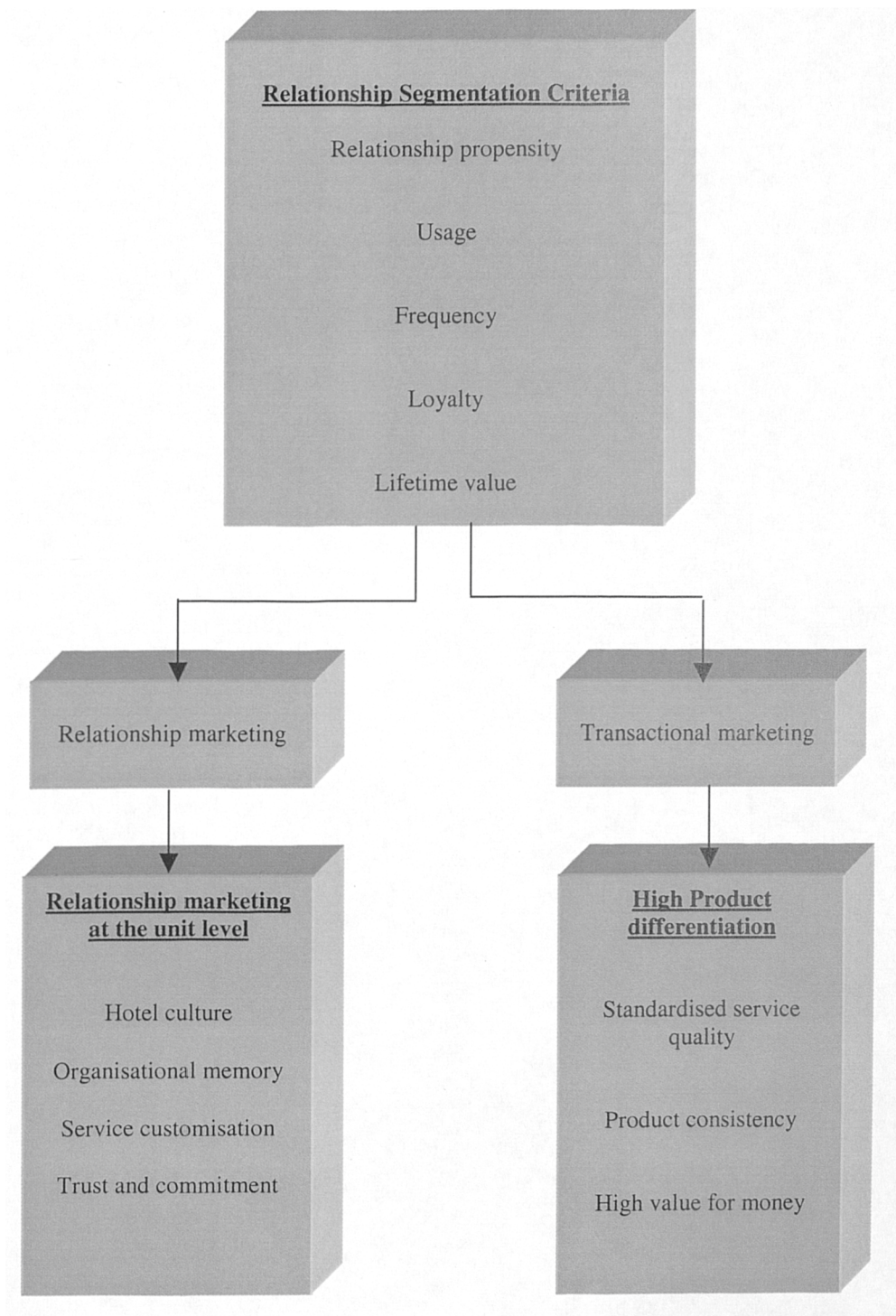
7.4 Bringing it together

This research proposes a model of market segmentation approach to relationship marketing. This model represents the integration of customer relationship propensity model (Figure 6.1), the conceptual model of segmentation based on usage, frequency, loyalty and lifetime value (Figure 3.2) and relationship marketing at the unit level model (Figure 6.5). This research suggests that segmenting the market according to customer relationship propensity provides the company with useful information on its customers in terms of their relationship profile and their willingness to enter or develop a relationship with the company. This allows the company to manage its time, effort and resources in a cost-effective way.

The notion of relationship driven and transactional driven customers can be interpreted at the company level into segmenting the market using usage rate, frequency, loyalty and lifetime value. This step will enable companies to identify their most 'attractive' groups of customers. Consequently, hotel companies will be able to develop criteria to help in their decision-making procedures with their loyalty and lifetime value classified market segments. In other words, the whole process of segmentation proposed here allows hotel companies to decide to whom a relational or a transactional approach to marketing could

be pursued. Furthermore, a strategy of relationship market at the unit level is proposed to develop and maintain long-term customer relationships with chosen customers. This is depicted in Figure 7.1.

Figure 7.1. Relational segmentation



As shown in Figure 7.1 it is an iterative process where hotel companies could practice an integrated strategy of relationship marketing based market segmentation. Hotel companies are suggested to start with investigating their markets according to their relationship propensity, and proceed to segmenting the market according to usage, frequency, loyalty and lifetime value. Having identified customers according to their relationship value to the company, a relational or a transactional marketing strategy is therefore applied. In the case of relationship marketing, this model proposes the use of the relationship marketing strategy at the unit level model. On the other hand, if transactional marketing is the appropriate approach to be taken towards customers, then products should be highly differentiated in order to achieve high customer loyalty. Hotel companies can always refer back to the previous step of segmentation to identify their most profitable customer after having delivered a relationship marketing strategy to them.

7.5 Methodology

In order to investigate customer-staff interactions, in a relationship-marketing context, this research utilised two types of observations as part of the research methods applied. These are: participant and non-participant observations. In the non-participant observation, the researcher was faced with the challenge of recalling all the information obtained throughout the day, at the end of each day. Having not participated, it proved difficult to recall detailed accounts of each day. The researcher felt the need to record the data on the spot in order to overcome this problem. This required high levels of coordination and concentration in order to dedicate enough attention to the listening and writing processes.

On the other hand, during participant observation, the researcher had to acquire certain qualities in order to use this research method effectively. It was important to be flexible enough to integrate with the setting and be a part of the team. It was also necessary to

have good communication skills with the managers and staff at the participating hotels. Also, adapting to the different cultures within hotels proved necessary. Furthermore, it was important to acquire knowledge about hotel operations in order to efficiently participate in the daily work. Acquiring a different language, which was not used in the hotels, the researcher had the advantage of recording some data that was best kept away from participants.

7.6 Research recommendations

Having discussed the research findings and presented the conclusions, this research puts forward a set of recommendations directed to service companies in general, and to hotel companies in specific. This research however, does not attempt to provide a strict checklist to be followed by managers, it only highlights the key points emanated from the research for organisations to consider in order to help them to retain their customers and build customers' loyalty.

7.7 General recommendations

1. If a relationship marketing strategy is to be implemented then the organisational culture has to support a relational approach with customers. This calls for organisational learning programmes directed to the company's employees, those who work closely to customers, in order to reflect the company's policies towards customers, beliefs in relationship marketing and long-term objectives. Implement relationship marketing as an iterative process that is integrated in the management of all elements of the relational marketing mix.

2. Relationship marketing should not be seen as the function of one isolated department in the organisation. It should be the job of everyone who works closely to customers i.e. it should be included in each employees role and possibly job description. Furthermore, a unit manager who is a positive role model to staff members, emphasises the relationship culture within the organisation, monitors the progress of customer relationship development should be employed.
3. Implementing relationship marketing should be considered as an iterative process that is integrated in the management of all the dimensions of relationship marketing strategy. These key dimensions are: managing the relationship interfaces, developing an organisational memory, communicating with internal and external customers, commitment to meet customers' expectations, fulfil promises to gain trust, service customisation and continuity of the relationship.
4. For organisations who opt for a transactional approach to marketing, service and products should be highly differentiated in order to achieve high customers' loyalty. A transactional approach to marketing can be effective if the offer is distinct enough to provide value for money for customers. Customers who are transactional driven would opt for the best offer at the lowest price.

7.8 Recommendations for hotel companies

1. Adopt models of segmentation such as relationship propensity, usage, frequency, loyalty and lifetime value to identify the most 'attractive' groups of customers to who a relational approach to marketing could be directed and detect the profit potential within each segment. Customer relationships are costly, therefore segmentations

criteria to identify relationship worthy customers can be helpful in applying a marketing approach that is cost effective.

2. The implementation of relationship marketing depend on the change of the organisational culture to a customer-focused culture, organisational memory that include an effective database system and staff memory, service customisation, communication with internal and external customers, trust and commitment.
3. The role model played by hotel managers to staff member shape the culture within hotels and is essential for the implementation of effective relationship marketing strategy.
4. Loyalty schemes run by hotels should not be looked at as simply a form of relationship marketing. If relational loyalty schemes are to developed then, reward points are not solely enough to reward customers. Loyalty programme should focus on customers' wants and preferences and take a relational approach towards them.
5. If a transactional marketing is the approach taken by the hotel company, then products and service should be differentiated in order for customer loyalty to be created. The similarity of the services products offered by hotel companies and the saturation of market segments make it difficult to gain competitive advantage and build customer loyalty. Companies applying a transactional approach to marketing need to offer value for money in order to attract transactional driven customers who could be price sensitive.

7.9 Recommendation for further research

A need to explore the following issues has emanated from this research:

1. It was initially assumed that a relational approach to marketing is appropriate for high loyalty-high value market segments and a transactional approach to marketing is suitable for low loyalty-low value market segments. However, this research suggests that a transactional approach to marketing can also be effective in promoting customers' loyalty provided that the product is differentiated. It would be useful to investigate the effectiveness of transactional marketing and also research into the marketing approach that could be taken with high value-low loyalty and low value-high loyalty market segments.
2. This research explored the relationship between customers and the hotel company in softer and harder brand hotel groups. An investigation into the relationship between the hotel company's brand and the individual units in terms of the brand integrity and its implications on customers' relationships can be an interesting dimension in the study of relationship marketing.
3. It was evident from this research that customers had different attitudes towards developing relationships with hotel companies. It was also briefly indicated in the literature that not all customers are willing to engage in relationships with hotel companies. This research suggests applying the relationship propensity of customers as a segmentation criterion. However, this issue needs to be explored in order to evaluate its practicality and effectiveness.

7.10 Research limitations

As any research project this research has a number of limitations. Despite the growing body of literature in key account management, this research focused on investigating the relationship marketing practices at the unit level with the end customer in hotel groups. Therefore, the implementation of relationship marketing at the corporate level is open to query. Also, the relationship with intermediaries was not explored. Moreover, findings from this research are only based on the hotel industry, which could not be comparable to other industries.

Furthermore, this research was limited to one hotel company with two brands. Only five hotels were investigated in the hotel company. The researcher was not able to conduct participant observation in two of the five hotels due to the company's preference. In addition, some general managers and marketing managers at the participant hotels declined to be interviewed. Also, a limited number of customers was accessible for the qualitative interviews. This research would have been more useful if access to a larger number of the company's hotel units and to customers was given. Also, the scarcity of the company's literature that would have contributed to this study affected the value of the data gathered.

In addition, as relationship marketing and transactional marketing can be placed on a continuum, it was difficult at some points to determine the approaches taken by some of the hotels investigated. Equally, softer and harder hotel brands cannot be determined in an absolute way as two rigid identities. Although adaptation and standardisation were referred to in many contexts in the literature, little has been written on soft and hard brands and their link with customer relationships.

Despite all the research limitations, the researcher fully utilised the data gathered in an effective way in order to produce robust research.

7.11 Personal development

This research was carried out over a long period of time. Given the researcher's circumstances in terms of living away from home, this research felt as a lonely process. During the past five years, the researcher's skills in terms of time management, working under pressure, adapting to different environments, working with different companies, and interacting with different cultures have developed considerably. Her research skills, interpretation skills, and writing skills have also improved a great deal. Even though the research journey was filled with obstacles and hurdles, it was a great experience that is worth doing.

8 Bibliography

Aaker, L. J. (1997), Dimensions of Brand Personality, *Journal of Marketing Research*, Vol. 34 (August), pp. 347-356.

Altman, I., and Taylor, D., (1973), *Social Penetration: The Development of Interpersonal Relationships*, New York, Holt, Rinehart and Winston.

Ambler, T. (1994), The Relational Paradigm, *Relationship marketing: 1994 Research Conference Proceedings*, Center For Relationship Marketing, Emory University.

Andt, J. (1993), The Political Economy Paradigm: Foundation for Theory Building in Marketing, *Journal of Marketing*, (Fall), 44-54.

Ashforth, B., and Lee, R., (1990), Defensive Behavior in Organizations: A Preliminary Model, *Human Relations*, 43 (July), pp. 621-648.

Bagozzi, R. P. (1975), Marketing as Exchange, *Journal of Marketing*, (October), 32-39.

Barney, J. (1991), *Journal of Management*, Vol. 17, pp 99-120.

Baumgartner, J., (1991), Nonmarketing Professionals Need More than 4Ps, *Marketing News*, 22, July, P. 28.

Berry, L.L. (1983), *Relationship Marketing: in Emerging Perspectives on services Marketing*, Berry, L.L., Shostack, G.L., and Upah, G.D. eds., Chicago: American Marketing Assoc.

Berry, L., and Parasuraman, A., (1993), Building a New Academic Field – The Case of Services Marketing, *Journal of Retailing*, 69(1), Spring, pp. 13-60.

Blois, K., (1995), *Relationship Marketing in Organizational Markets : When Is It Appropriate?* , Oxford : Oxford Centre for Management Studies.

Booms, B., and Bitner, M., (1982), marketing Strategies and Organization Structures for Service Firms, in Donnelly, J., and George, W., (EDS), *Marketing of Services*, American Marketing Association, Chicago, IL.

Bowen, J., & Shoemaker, S. (1998), Loyalty: A Strategic Commitment, *Cornell- Hotel And Restaurant Administration Quarterly*, (February), Vol. 39, No. 1, pp 12-25.

Bowen, D., and Schneider, B., (1988), Service Marketing and Management: Implications for Organizational Behavior, in *Research in Organizational Behavior*, B. Stow and L. L. Cummings, eds., JAI Press, Greenwich, CT, Vol. 10.

Brandweek, (1995), Maintaining Momentum, (January), 2, pp. 21-26.

British Psychological Society, (1991), Code of Conduct, Ethical Principles and Guidelines, In Robson, C., (1999), *Real world Research*, Blackwell, Oxford.

Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley.

Busch, P., and Houston, M., (1985), *Marketing Strategic Foundations*, Homewood, Illinois: Irwin.

Buttle, F., (1996), *Relationship Marketing: Theory and Practice*, London: Paul Chapman Publishing Ltd.

Buttle, F., (1999), Measurement, In: Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley, pp. 233-245.

Carroll, P. (1992) The Fallacy of Customer Retention, *Journal of Retail Banking*, 13 No. 4. pp. 15-20.

Carman, J. M. (1980), Paradigm for Marketing Theory, *Research in Marketing*, 3, Jagdish N. Sheth, ed., Greenwich, CT: JAI Press, 1-36.

- Christopher, M., Payne, A. & Ballantyne, D. (1991), *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Oxford: Butterworth-Heinemann.
- Christopher, M. (1992), *The Customer Service Planner*, Oxford: Butterworth-Heinemann.
- Christopher, M., Payne, A. & Ballantyne, D. (1991), *Relationship Marketing: Bringing Quality, Customer Service and Marketing Together*, Oxford: Butterworth-Heinemann.
- Connell, J., (1992), Branding Hotel Portfolios, *International Journal of Contemporary Hospitality Management*, Vol. 4, No. 1, pp.26-32.
- Copulsky, J., and Wolf, M., (1991), Relationship Marketing: Positioning for the Future, *Journal of Business Strategy*, July/August, pp. 16-20.
- Crawford-Welch, S. (1990), Market Segmentation In The Hospitality Industry, *Hospitality Research Journal*, Vol. 14, No. 2, pp 295-304.
- Czepiel, J., (1990), Managing Relationships With Customers: A Differentiating Philosophy of Marketing, in Bowen, D., Chase, R., and Cummings, T., (eds.), *Service Management Effectiveness*, San Francisco: Jossey-Bass, pp. 299-323.
- DeNitto, E., (1993), Intergrated Marketing Execs Eye Interactive, *Advertising Age*, Vol. 51 (November), pp. 44.
- Denzin, N., (1989), *Interpretive Interactionism*, Newbury Park and London: Sage.
- Deshpand, R. (1983), Paradigm Lost: On Theory and Method in Research in Marketing, *Journal of Marketing*, (Fall), pp 101-110.
- Dougherty, D., (1992), Interpretive Barriers to Successful Product Innovation in Large Firms, *Organization Science* 3 (May), pp. 179-202.
- Duck, S., (1991), *Understanding Relationships*, Guilford Press, New York.

Dwyer, F., Schurr, P., and Oh, S., (1987), Developing Buyer and Seller Relationships, *Journal of Marketing*, 51, April, pp. 11-27.

Enz, C. Potter, G. and Siguaw, J. (1999), Serving More Segments and Offering More Products, *Cornel Hotel and Restaurant Administration Quarterly*, (December), Vol. 40, No. 6, pp. 54-62.

Evans, J., and Laskin, R., (1994), The Relationship Marketing Process: A Conceptualisation and Application, *Industrial Marketing Management*, Vol. 23, pp. 439-52.

Fetterman, D. M.(1998), *Ethnography*, London, Sage.

Ford, D., ed. (1990), *Understanding Business Markets- Interactions , Relationships, Networks*, Academic Press, London.

Gabarro, J., (1979), Socialisation at The Top: How CEOs and Subordinates Evolve Interpersonal Contracts, *Organizational Dynamics*, 8 (Winter), pp. 3-23.

Gabarro, J., (1987), The Development of Working Relationships, In *Hand Book of Organizational Behavior*, ed., Lorsch, J., Englewood Cliffs, NJ: Prentice Hall, pp. 172-189.

Galbraith, J., (1977), *Organizational Design*, MA: Addison – Wesley.

Gilbert, D., (1996), Relationship Marketing and Airline Loyalty Schemes, *Tourism Management*, Vol. 17, No. 8, pp. 575-582.

Gilbert, D., and Lockwood, A., (1999), Critical Incident Technique, In: Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley, pp. 207-231.

Gilpin, S. C., (1995), Relationship Marketing and Corporate Buyer Behaviour in the Hotel Industry. An Empirical Study, Interaction, Relationships and Networks, *Proceedings IMP 11th International Conference*, Manchester Federal School of Business and Management, Vol. 3, pp. 1444-1465.

Gordon, I. (1998), *Relationship Marketing : New Strategies, Techniques and Technologies to Win The Customers You Want and Keep Them Forever*, Toronto; Chichester, Wiley.

Gronroos, C. (1990), Relationship Approach to Marketing in Service Contexts: The Marketing and Organizational Behaviour Interface, *Journal of Business Research*, 20, 3-11.

Gronroos, C. (1994), Quo Vadis, Marketing? Toward a Relationship Marketing Paradigm, *Journal of Marketing Management*, Vol. 10, pp. 347-60.

Gronroos, C., (1996), Relationship Marketing: Strategic and Tactical Implications, *Management Decision*, (May), Vol. 34, No. 3, pp 5-10.

Gronroos, C., (1989), Defining Marketing: A Market-Oriented Approach, *European Journal of Marketing*, 23, 52-60.

Gronroos, C., (1997), Value-Driven Relational Marketing: From Products to Resources and Competencies, *Journal of Marketing Management*, 13, pp. 407-419.

Gronroos, C., (1999), Relationship Marketing: Challenges For The Organization, *Journal Of Business Research*, (November), Vol. 46, No. 3, pp 327-335.

Gronroos, C., and Gummesson, E., eds., (1985), *Service Marketing – Nordic School Perspectives*, Stockholm: Stockholm University, School of Business, Research Report.

Grover, R., Shah, R., and Madhavan, R., (1994), Relationship Marketing: An Organizational Process Perspective, *1994 Research Conference Proceedings*, Center for

Relationship Marketing, Roberto C. Goizueta Business School, Emory University, Atlanta.

Gummesson, E., (1983), A New Concept of Marketing, Proceedings from *The European Marketing Academy Annual Conference*, Institute D'Etudes Commerciales De Grenoble, France, April.

Gummesson, E., (1990), Organizing for Marketing and Marketing Organizations, in *Handbook on Services Marketing*. C. A. Congram and M. L. Friedman, eds., Amacon, New York.

Gummesson, E., (1992), Quality Dimensions: What to Measure in Service Organizations, in Swartz, T., Bowen, D., and Brown, S., (eds), *Advances in Service Marketing and Management*, Greenwich, CT: JAI Press.

Gummesson, E., (1994), Making Relationship Marketing Operational, *International Journal of Service Management*, Vol. 5, No. 5, pp 5-20.

Gummesson, E., (1999), *Total Relationship Marketing: Rethinking Marketing Management, From 4Ps to 30Rs*, Butterworth Heinemann, Oxford.

Gundlach, G., Achrol, R., and Mentzer, J., (1995), The Structure of Commitment in Exchange, *Journal of Marketing*, Vol. 59, January, pp. 78-92.

Hakansson, H., ed. (1982), *International Marketing and Purchasing of Industrial Goods*, Wiley, New York.

Hakansson, H., and Snehota, I., (1995), *Developing Relationships in Business Marketing*, London, Routledge.

Hakansson, H., and Snehota, I., ed. (1997), *Developing Relationships in Business Networks*, International Thomson Business, London.

Haley, R. I. (1984), Benefit Segmentation: Backwards and Forwards, *Journal of Advertising Research*, 32, pp 30-35.

Hallberg, G. (1995), *All Customer Are Not Created Equal*, USA: John Wiley & Sons, Inc.

Hammersley, M. (1989), *The Dilemma of Qualitative Method: Herbert Blumer and The Chicago Tradition*, London, Routledge.

Hammersley, M. (1991), *Reading Ethnographic Research: A Critical Guide*, Longman, London.

Hammersley, M. (1992), *What's Wrong With Ethnography?* Routledge, London.

Hansman, H. & Schutjens, V. (1993), Dynamics in Market Segmentation, *Marketing And Research Today*, (September), pp.139-145.

Harrigan, K., (1983), Research Methodologies for Contingency Approach to Business Strategy, *Academy of Management Review*, 8(3), pp. 398-405.

Heil, G., Parker, T., and Stephens, D., (1997), *One Size Fits One: Building Relationships One Customer and One Employee at a Time*, New York; London: Van Nostrand Reinhold: Chapman & Hall.

Helper, S., (1991), Strategy and Irreversibility in Supplier Relations, *Business History Review*, Vol. 65, pp. 781- 824.

Hemmington, N., (1999), Sampling, In: Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley, pp. 245- 262.

Heskett, J. L., Sasser, W. E and Schlesinger, L. A. (1997), *The Service Profit Chain*, New York: The Free Press.

Higgins, M. & Smith, W. (2000), Reconsidering the Relationship Analogy, *Journal of Marketing Management*, Vol. 16, No. 1-3, pp. 81-94.

Houston, F., and Gassenheimer, J., (1987), Marketing and Exchange, *Journal of Marketing*, (October), Vol. 51, pp. 3-18.

Hunt, S.D., (1976), The Nature and Scope of Marketing, *Journal of Marketing*, (July), pp.17-28.

Hunt, S.D., (1983), General Theory and the Fundamental Explanada of Marketing, *Journal of Marketing*, (Fall), pp 9-17.

Hunt, S. & Morgan, R., (1995), The Competitive Advantage Theory of Competition, *Journal of Marketing*, 59, April, pp. 1-15.

Hunt, S. & Morgan, R., (1999), Relationship-Based Competitive Advantage: The Role of Relationship Marketing in Marketing Strategy, *Journal of Business Research*, Vol. 46, No. 3, pp 281-290.

Hutt, M., (1995), Cross-Functional Working Relationships in Marketing, *Journal of the Academy of Marketing Science*, Vol.23, No. 4, pp. 251-257.

Hutt, M., Speh, T., (1995), *Business Marketing Management: A Strategic View of Industrial and Organizational markets*, 5th ed., Fort Worth: Dryden Press.

Iacobucci, D., (1994), Toward Defining Relationship Marketing, *Relationship marketing: 1994 Research Conference Proceedings*, Emory University: Center For Relationship Marketing.

Ingene, C., (1984), Productivity and Functional Shifting in Spatial Retailing: Private and Social Perspective, *Journal of Retailing*, Fall, Vol. 60, pp. 15-36.

Irving, R., and Tivey, J., (1997), *Relationship Marketing*, The Institute of Management.

Judd, V., (1987), Differentiate with the 5th P: People, *Industrial Marketing Management*, November.

Judd, C., Smith, E., and Kidder, L., (1991), *Research Methods in Social Relations*, 6th edn., New York: Holt, Rinehart and Winston.

Kandampully, J., and Suhartanto, D., (2000), An Examination of the Relationship Between Customer Loyalty, Customer Satisfaction, and Image in the Hotel Industry, *International Journal of Contemporary Hospitality Management*, Vol. 12, No. 6.

Kanter, R., (1989), The New Managerial Work, *Harvard Business Review*, 67 (November-December), pp. 58-92.

Kershaw, Z., (1998), *How Can Relationship Marketing Be Measured Effectively?*, Unpublished BSc dissertation, Oxford Brookes University.

Kimmel, A., (1988), *Ethics and values in applied social research*, Newbury Park, Calif.; London : Sage.

Kotler, P., (1972), *Readings in Marketing Management*, Hemel Hemstead: Prentice- Hall.

Kotler,P., (1984), *Marketing Essentials*, Englewood Cliffs;London:Prentice-Hall.

Kotler, P., (1992), Total Marketing, *Business Week*, Executive Brief, 2.

Kotler,P. (1994), *Marketing management : Analysis, Planning, Implementation and Control*, London: Prentice Hall International.

Kotler, P., Bowen, J., & Makens, J., (1996), *Marketing For Hospitality and Tourism*, London: Prentice Hall.

Kotler, P., Bowen, J., & Makens, J., (1999), *Marketing For Hospitality and Tourism*, 2nd ed., London: Prentice Hall.

Lashley, C., & Morrison, A., (2000), *In Search of Hospitality*, eds., Butterworth-Heinemann, Oxford.

Levinson, H. (1971), Conflicts that Plague Family Businesses, *Harvard Business Review*, (March / April), pp.90-98.

Levitt, T. (1960), The Marketing Myopia, *Harvard Business Review*, July-August, pp. 45-56.

Levitt, T. (1983), *The Marketing Imagination*, The Free Press.

Lewis, R. C. & Chambers, R. E. (1995), *Marketing Leadership in Hospitality*, New York: Van Nostrand Reinhold.

Lovelock, C., (1983), Classifying Service to Gain Strategic Advantage, *Journal of Marketing*, 47, Summer, pp. 9-20

Macneil, I., (1980), *The New Social Contract: An Inquiry into Modern Contractual Relations*, New Haven, CT: Yale University Press.

Mason, J., (1998), *Qualitative Researching*, Sage: London.

McCarthy, E. (1960), *Basic Marketing*, Irwin, Homewood, IL.

McCleary, K. W. and Weaver, P. A. (1992), Do Business Travellers Who Belong to Frequent-Guest Programs Differ From Those Who Don't Belong?, *Hospitality Research Journal*, Vol. 15, No.3, pp. 51-64.

McDonald, M., and Dunbar, I., (1998), *Market Segmentation: How To Do It, How To Profit From It*, 2nd ed., Macmillan Business.

McKenna, R., (1991), *Relationship Marketing: Successful Strategy for the Age of the Customer* Reading, MA: Addison – Wesley.

Middleton, V., (1988), *Marketing in Travel and Tourism*, Heinemann, Oxford.

Moorman, C., Deshpande, R., and Zaltman, G., (1992), Factors Affecting Trust in Market Research Relationships, *Journal of Marketing*, Vol. 57, (January), pp. 81-101.

Morgan, R., and Hunt, S., (1994), The Commitment – Trust Theory of Relationship Marketing, *Journal of Marketing*, No. 58, July, pp. 20-38.

Morrison, A., (1989), *Hospitality and Travel Marketing*, Delmar, New York.

Murphy, J., (1996), Retail Banking, in Buttle, F., ed., *Relationship Marketing: Theory and Practice*, Paul Chapman Publishing, London.

Nelson, R., & Winter, S., (1982); *An Evolutionary Theory of economic Change*, Cambridge: Belknap.

Olsen, M., (1989), Issues Facing Multi Unit Hospitality Organisations in a Maturing Market, *Journal of Contemporary Hospitality Management*, Vol. 1, No. 2, PP. 3-6.

Oppenheim, A., (1992), *Questionnaire Design, Interviewing and Attitude Measurement*, London: Continuum.

Osman, H., Bowie, D., and Hemmington, N., (1998), A Segmentation Approach to Relationship Marketing in The International Hotel Industry, *Proceedings From EuroCHRIE Conference on Competitiveness in The International Hospitality Industry*, Ecole Hoteliere De Lausanne, November, pp.77-82.

Payne, A., and Frow, P., (1999), Developing a Segmented Service Strategy: Improving Measurement in Relationship Marketing, *Journal of Marketing Management*, 15, pp. 797-818.

Peck, H., Payne, A. Christopher, M., and Clark, M. (1995), *Relationship Marketing for Competitive Advantage: Winning and Keeping Customers*, Butterworth-Heinemann, Oxford.

Peck, H., Payne, A., Christopher, M., and Clark, M., (1999), *Relationship Marketing: Strategy and Implementation*, Butterworth Heinemann, Oxford.

Peppers, D. & Rogers, M. (1994), *The one-to-one Future: Building Business Relationships One Customer at a Time*, London, Piatkus.

Peppers, D. & Rogers, M. (1995), A New Marketing Paradigm: Share of Customer, not Market Share, *Managing Service Quality*, Vol. 5, No. 3, pp.48-51.

Pruden, D. (1995), There's a Difference Between Frequency Marketing and Relationship Marketing, *Direct Marketing*, (June), Vol. 58, No. 2, pp. 32-35.

Peterson, P., (1962), Conventional Wisdom and The Sixties, *Journal of Marketing*, April, pp. 63-67.

Ravald, A. & Gronroos, C. (1996), The Value Concept and Relationship Marketing, *European Journal of Marketing*, (Feb), Vol. 30, No. 2, p 19 (12).

Reichheld, F., and Sasser, W., (1990), Zero Defections: Quality Comes to Services, *Harvard Business Review*, (September- October).

Reynolds, P., (1979), *Ethical Dilemmas and Social Science Research*, San Francisco: Jossey-Bass.

Ries, A. & Trout, J. (1986), *Marketing Warfare*, Singapore: McGraw-Hill.

Rivers, M. J., Toh, R. S. and Alaoui, M. (1991), Frequent-Guest Programme: The Demographic, Behavioural and Attitudinal Characteristics of Hotel Steady Sleepers, *Journal of Travel Research*, Fall, pp. 41-45.

- Robson, C., (1999), *The Real World Research*, Blackwell Publishers, Oxford.
- Rosenberg, L., and Czepiel, J., (1984), A Marketing Approach to Customer Retention, *Journal of Consumer Marketing*, November, pp. 45-51.
- Ruekert, R., and Walker, O., (1979), Marketing's Interaction With Other Functional Units: A Conceptual Framework and Empirical Evidence, *Journal of Marketing*, 51 (January), pp. 1-10.
- Rucci, A., Kim, S., Quinn, R., (1998), The Employee-Customer-Profit Chain at Sears, *Harvard Business Review*, Jan/Feb, Vol. 76, Issue,1, pp. 82-98.
- Sampson, P. (1992), People are People the World Over: the case for psychological market segmentation, *Marketing and Research Today*, (November), pp. 236-243.
- Sanderland, L., & Stablein, R., (1987), The Concept of Organization Mind, PP. 135-162 in Samuel, B., & DiTomaso, N., (eds). *Research in the Sociology of Organisations*, Vol. 5. Greenwich, CT: JAI Press.
- Schewe, C. D and Balazs, A. L. (1992), Role Transitions in Older Adults: A Marketing Opportunity, *Psychology and Marketing*, Vol. 9, No. 2, pp. 85-99.
- Schewe, C. D and Meredith, G. E. (1994), Digging Deep to Delight the Mature Adult Consumer, *Marketing Management*, Vol. 3, No. 3, pp. 20-35.
- Schewe, C. D and Noble, S. M. (2000), Market Segmentation by Cohorts: The Value and Validity of Cohorts in America and Abroad, *Journal of Marketing Management*, (Jan/Feb/April), Vol. 16, No. 1-3, pp. 129-142.
- Schultz, D. E. (1993), The Customer and the Database are Integrating Forces, *Marketing News*, Nov. 22, p. 14.

Seaton, A. V., Bennett, M. M., (1996), *Marketing Tourism Products: Concepts, Issues, Cases*, International Thomson Business Press, London.

Selwyn, T., (2000), An Anthropology of Hospitality, in *In Search of Hospitality*, eds., Lashley, C., & Morrison, A., Butterworth-Heinemann, pp. 18-37.

Shapiro, B., and Posner, R., (1979), Making The Major Sale, *Harvard Business Review*, March – April, pp. 68 –79.

Shapiro, B., Rangan, V., Moriarty, R., and Ross, E., (1987), Managing for Profits (Not Just Sales), *Harvard Business Review*, September - October.

Sheth, J., (1977), *What is Multivariate Analysis: Multivariate Methods for Market and Survey Research*, Chicago, American Marketing Association.

Sheth, J., (1994), The Domain of Relationship Marketing, *Proceedings, The Second Research Conference on Relationship Marketing*. Atlanta, GA: Centre for Relationship Marketing, Emory University.

Sheth, J., and Paravatiyar, A., (1992), Towards a Theory of business Alliance Formation, *Scandinavian International Business Review*, Vol. 1(3), pp. 71-87.

Sheth, J., and Paravatiyar, A., ed., (1994), *Relationship Marketing: Theory, Methods, and Applications*, Center for Relationship Marketing, Emory University, Atlanta, GA. June.

Sheth, J., and Paravatiyar, A., (1995a), The Evolution of Relationship Marketing, *International Business Review*, 4, No. 4, pp. 397-418.

Sheth, J., and Paravatiyar, A., (1995b), Relationship Marketing in Consumer Markets: Antecedents and Consequences, *Journal of the Academy of Marketing Science*, Vol. 23, No. pp. 255-271.

Shultz, J. and Lareau, A. (1996), *Journeys Through Ethnography*, Oxford, Westview Press.

Siguaw, J. A, Austin, A. M, Jon, R. (1999), The Brand –Personality Scale – An Application For Restaurants, *Cornell- Hotel And Restaurant Administration Quarterly*, (June), Vol. 40, No. 3, pp. 48-56.

Silverman, D., (2000), *Doing Qualitative Research: A Practical Handbook*, London : SAGE.

Silverman, D., (2001), *Interpreting Qualitative Data: Methods for Analysing Talk, Text and Interaction*, 2nd edn., London : SAGE

Slattery, P., (1991), Hotel Branding in The 1990s, *Travel and Tourism Analyst*, Vol. 1, pp. 23-35.

Smith, M., (1983), On The Validity of Inferences from Non-random Samples, *Journal of the Royal Statistical Society, Series A*, 394-403.

Smith, M., Thorpe, R., and Lowe, A., (1991), *Management Research: An Introduction*, Sage, London.

Sollner, A. Hermann, J. D., Gotz, P. & Hildebrandt, L. (1994), Competitive Advantage and Relationship Marketing, *Relationship marketing: 1994 Research Conference Proceedings*, Emory University: Center For Relationship Marketing.

Spradley, J., (1980), *Participant Observation*, Florida: Harcourt Brace Jovanovich Inc.

Stone, M. Woodcock, N. (1995), *Relationship marketing* , London : Kogan Page.

Storbacka, K.(1995), *The Nature of Customer Relationship Profitability*, Helsinki: The Swedish School Of Economics And Business Administration.

- Storbacka, K.(1997), Segmentation Based on Customer Profitability, *Journal of Marketing*, Vol. 13, pp. 479-492.
- Strauss, A., and Corbin, J., (1990), *Basics of Qualitative Research*, Thousand Oaks, CA: Sage.
- Sullivan, J., and Peterson, R., (1982), Factors Associated with Trust in Japanese – American Joint Ventures, *Management International Review*, Vol. 22, pp. 30-40.
- Taylor, A. (1994), The Auto Industry Meet the New Economy, *Fortune*, (September), 5.
- Taylor, S., and Edgar, D., (1999), Lacuna or Lost Cause? Some Reflections on Hospitality Management Research, In: Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley, pp. 245- 262.
- Upshaw, L. (1995), *Building Brand identity: A Strategy For Success in a Hostile Market Place*, New York, NY: John Wiley & Sons.
- Usunier, J. C., (1993), *International Marketing : A Cultural Approach*, London : Prentice Hall.
- Varva, T. G. (1992), *Aftermarketing: How to Keep Customers for Life Through Relationship Marketing*, Illinois: Homewood.
- Van de Ven, A., and Ferry, D., (1980), *Measuring and Assessing Organizations*, New York, Wiley.
- Walsh, J., & Ungson, G., (1991), Organizational Memory, *Academy of Management review*, Vol. 16(1), pp. 57-91.
- Veal, A., (1997), *Research Methods for Leisure and Tourism: A Practical Guide*. London: Pitman,.

Wilson, D. T., & Moller, K., (1991), Buyer-Seller Relationship. Alternative Conceptualizations, in Stanley J. Paliwoda (ed.). *New Perspectives on International Marketing*, Chapter 5, London.

Wilson, D. T. (1994), Social Interactions Perspective and Relationship Marketing, *Relationship marketing: 1994 Research Conference Proceedings*, Emory University: Center For Relationship Marketing.

Witkowski, T., and Thibodeau, E., (1999), Personal Bonding Process in International Marketing Relationships, *Journal of Business Research*, 46, pp. 315-325.

Wood, R., (1999), Traditional and Alternative Research Philosophies, In: Brotherton, B., ed., *The Handbook of Contemporary Hospitality Management Research*, New York, Wiley, pp. 3-18.

Yin, R. K. (1993), *Applications of Case Study Research*, London, Sage.

Yorke, D., (1990), Developing an Interactive Approach to the Marketing of Professional Services, In Ford, D., eds., *Understanding Business Markets*, London: Academic Press.

Zenger, T., and Lawrence, B., (1989), Organizational Demography: The Differential Effects of Age and Tenure Distribution on Technical Communication, *Academy of Management Journal*, 32, (June), pp. 353-376.

Web References

Ballantyne, D., (2000), Interaction, Dialogue and Knowledge Generation: Three Key Concepts in Relationship Marketing, 2nd WWW Conference on Relationship Marketing, November – February, pp. 1-21, www.mbc.co.uk/services/conferen/nov99/rm/paper4.http, Accessed June, 2000.

Buttle, F., (2000), The CRM Value Chain. www.crm-forum.com, Accessed February, 2001.

Saren, M., Tzokas, N., (1999), *Knowledge and Relationship Marketing: Where, what & How*, 2nd WWW Conference on Relationship Marketing, November – February, pp. 1-6, www.mbc.co.uk/services/conferen/nov99/rm/paper4.http, Accessed April, 2000.

www.1to1marketing.com

www.CRMGURU.com

9 List of Appendices:

Appendix A: The initial research proposal to the company

Appendix B: Hotel managers' interview format

Appendix C: The letter sent to the company's customers

Appendix D: Customers' interview questions

Appendix E: Pilot interviews' findings

Appendix F: An example of domain analysis for managers' interviews in DE hotel group

Appendix G: An example of taxonomic analysis for participant observation in ABC hotel group

Appendix H: An example of taxonomic analysis for managers' interviews

Appendix I: An example of domain analysis for customers' interviews

9.1 Appendix A: The initial research proposal to the company

In-depth marketing research at no cost to you

Dear Mr...

Intense competition within the hotel industry, constant changes in customer expectations and high investment in new technology, have all forced hotel operators to seek competitive advantage through differentiated approaches to marketing. Customer-focused approaches are seen by many as the only way for companies to compete effectively. Building, maintaining and enhancing long-term customer relationships helps to increase sales and gain competitive advantage. **BUT** are all your customers worth having a relationship with? We are about to start a project on relationship marketing. This project is part of a study on the role of market segmentation in relationship marketing in major hotel groups conducted by The School of Hotel and Restaurant Management at Oxford Brookes University. It is concerned with exploring potential customers with whom companies should develop and maintain long-term relationships. It will provide you with customer profiles to make it easier for you to direct your relationship efforts (e.g., loyalty schemes) to those customers with the greatest life-time value.

What is in it for you?

By contributing to this research you will be able to enhance customer relationships with high value customers and increase their loyalty. It will also help you avoid wasting time and resources in attempting to build relationships with low value customers. This study will provide you with detailed information about your customers' views on their actual experiences with you; their concerns and expectations out of the relationship; a close look at your customers' profiles in terms of their loyalty and life-time value and what is actually happening in your organisation on the daily interactions with different customer groups. Utilising this information will help you achieve the following benefits:

- **Increased customer retention and loyalty** - Enhancing repeat business and referral.
- **Increased segment profitability** - Identifying key segments' needs and wants, purchase behaviour and current and future potential. Thereby, *identifying the most profitable customer relationships*.
- **Increased sales volume** - Studies and practice have proved that the cost of retaining existing customers is five times less than the cost of acquiring new ones. Besides, loyal customers can respond positively to any changing trends in your organisation.

- **Maximising the effectiveness of your marketing spend** -By directing the right efforts and resources to relationships of high lifetime value.
- **Gaining competitive advantage** -Enabling the company to respond to the change in customer expectations and buying behaviour.

How you could help

We will need your support in permitting us to talk to some of your customers; unpaid work with your team and front-line staff on a temporary basis, and talk to managers so as to discuss the research findings.

All information obtained from your organisation will be dealt with in strict confidentiality and solely used for research purposes. I enclose a copy of the research proposal for your consideration. If you wish to discuss the proposal please don't hesitate to contact me at the above address by e-mail: nrh@hrm.brookes.ac.uk or by telephone: (0044) 01865-483797.

Research Director

Nigel Hemmington

9.2 Appendix B: Hotel managers' interview format

Interview No.	
Date of interview	
Venue	
Name of interviewee	
Position	

Introduction and setting the scene	<ul style="list-style-type: none"> • An introduction to the research and objectives followed by an explanation of what is expected from the interviewee. • An idea about the interview aims and length • A brief background of the researcher. • Insuring confidentiality of data gathered from interviews and asking for permission to tape-record the session.
Discussion topic 1	<ul style="list-style-type: none"> • Customer relationship: Topic 1 deals with two parts: <ol style="list-style-type: none"> a) The different relationships the hotel has with their different market segments. It aims at exploring if all customers are being treated equally. It also seeks the different approaches the hotel has in developing and encouraging customer relationships with different market segments, as well as build and enhance customer loyalty. b) The familiarity of the term 'relationship marketing'. Respondents are asked to state what they understand by relationship marketing and how would they put a definition to it.
Discussion topic 2	<ul style="list-style-type: none"> • Customer relationship strategy: Topic 2 aims to discuss the tools and techniques used to enhance customer relationships. For example, the type of information stored on customers, the way it is being used and communicated throughout the hotel departments. This part explores the ways of handling customer complaints, tracing lapsed customers, keeping existed and/or loyal customers. it also establishes their views about customers life-time value.
Discussion topic 3	<ul style="list-style-type: none"> • Advantage or disadvantage of relationship marketing: Topic 3 deals with two parts <ol style="list-style-type: none"> a) The benefits derived from their attempts to enhance customer relationships for the company as well as the customers; the impact that this has on sales, marketing resources and cross-selling and building mutual trust and commitment. b) The problems stemmed from applying a relational approach. As an example to that, fail to fulfil promises, insufficient resources, staff attitude, and more demanding customers.
Discussion topic 4	<ul style="list-style-type: none"> • The company's culture in taking a relational approach to marketing: Topic 4 deals with staff training and staff perceptions of developing and maintaining long-term customer relationships. It also concerns with staff

	<p>feeling of the importance of customer relationship to the organisation. It discusses the management role in emphasising the importance of being customer-focused; the company's culture in communication customer relationship concept across the hotels in the group. This topic throws light on which relationship is developed most, the individual unit or the brand.</p>
Discussion topic 5	<ul style="list-style-type: none"> • The hotel strategy in encouraging customer relationship with different market segments: <p>Topic 6 is concerned with their different criteria of segmenting the market; their favoured groups of customers; their relationships with intermediaries and the different ways of engaging into a relationship with different customer groups. It also involves their ways of finding out about the needs, wants, and expectations of different market segments. It explores the idea of delivering different relationships to different market segments.</p>
Discussion topic 6	<ul style="list-style-type: none"> • The relationship terms and the loyalty programme: <p>Topic 6 provides a discussion on the company's loyalty programme in terms of the advantages and the conditions. It discusses their approaches to invite regular customers to join the scheme; and seeks the managers views on terminating the relationship.</p>
Discussion topic 7	<ul style="list-style-type: none"> • Future plans: <p>Topic 7 aims at discussing their future plans on extending their profitable customers base and/or decreasing their marketing effort and resources delivered to certain customer groups (less profitable segments).</p>

9.3 Appendix C: The letter sent to the company's customers

Dear ...

I am carrying out a research on behalf of --- Hotels, into customer loyalty in the hotel industry. This research will be a contribution to my PhD on Relationship Marketing and aims at investigating different aspects of building up long-term mutually beneficial relationships with the hotel customers.

Therefore, I would like to conduct a number of interviews with some of ----'s valuable customers. Each interview will last a maximum 20 minutes and will be conducted at a time and place to suit the customer. As a valuable customer, your participation would be highly beneficial to the research. I would be grateful if you would agree to participate in this project. If you do not want to participate, please contact Emma Tame, Marketing Director, --- Hotels on 01737780200.

I will contact you shortly and hope to arrange a meeting at a suitable time and place for you. I appreciate your assistance in advance and look forward to meeting you.

Yours sincerely,

Dr. Nigel Hemmington
Research Director
School of Hotel and Restaurant
Management
Oxford Brookes University
Tel: 01865-483797
Fax: 01865-483878

Hanaa Osman
PhD Researcher
School of Hotel and Restaurant
Management
Oxford Brookes University
Tel: 01864-483858
Fax: 01865-483878

9.4 Appendix D: Customers' interview format

Factual questions	Relationship questions
<ol style="list-style-type: none"> 1. When did you first stay / use --- Hotels? 2. Why would you chose ---? 3. Is it a company policy to chose ---? 4. Are --- hotels your first choice ? If not what would be your first choice? 5. Would you make special efforts to stay/use --- hotel e.g. travel extra 15 miles? 6. How many nights do you spend in --- hotels a year / how many times a year do use ---? 7. How many nights do you spend in other hotels a year? 	<ol style="list-style-type: none"> 1. How would you describe your relationship with --- hotels? Prompt: How has it developed? Prompt: How is it like to be an --- Customer? Prompt: With whom do you have the relationship (the hotel / the hotel manager or the head office / the brand)? 2. What are your relationship expectations of --- hotels? 3. How could the relationship be improved? 4. Are there any --- hotels at which you've previously stayed / used and you would not go back again? Why? 5. Do you have relationship/s with other hotel companies/ other organisations? 6. How does it compare with your relationship with --- hotels? 7. Do you ever recommend a hotel? Do you recommend ---hotels / other hotels?

<p>Loyalty questions</p> <ol style="list-style-type: none"> 1. Are you a Club Arcadian member? If not, why not? Then move to 6. 2. Why did you join the Club? 3. What are the advantages? 4. What are your expectations as a Club member? 5. How can it be improved? 6. What makes you loyal to a hotel company? 7. Are you a member of other loyalty schemes in other hotels? 8. What other loyalty schemes do you use (e.g. retail, air travel)? 9. Is there anything else you would like to add or discuss about your relationship with Arcadian or other companies?

9.5 Appendix E: Pilot interviews' findings

Pilot interviews revealed that respondents had a puzzled expression on their faces that showed confusion when the phrase 'relationship to the company' was mentioned.

'You call it a relationship, I'm not sure if it is a relationship in the sense that you are mentioning it. What it is, it's I'm making decisions on where I want to stay based on a set of criteria. Those criteria change according to leisure or business purposes so it just so happened that X hotels met my requirements in a certain country... so yes I have a relationship with them.' Pilot study Customer.

Key words to describe respondents' relationship with the different hotel companies included mutual respect, friendliness, reliability and value for money. It was interesting to note that respondents, without further guidance, distinguished between their relationship with the company or the brand and their relationship with individual hotels within the company. They seemed to have stronger relationship with the brand (hotel companies chosen by respondents included 4 and 5 star international hotel chains).

A good customer relationship was described by respondents as a relationship that met their changing needs. Respondents argued that their needs and requirements change according to their purpose of visit, therefore, they could require different relationships with the same hotel company. A pilot study customer stated that, 'I have different needs depending on where I am in the world. I don't go with the same needs every time. I have different needs when I go on a golfing holiday or when I go on a business trip.'

Some of the respondents were members of the loyalty programme offered by their chosen hotel company. The reason for joining the scheme was attributed to the awarded points that could be redeemed for free hotel nights. What seemed to motivate customer loyalty, according to the pilot interviews, was consistency of service quality that was described as

a 'feel good factor' by one of the respondents. Other factors included meeting the basic requirements properly and the quality of service provided by the staff. 'Once the physical requirements is there, the difference is the people' Pilot study customer.

In addition respondents expressed their expectations of loyalty programmes to emphasise 'recognition'. Late check out and room upgrade were also highly expected.

'I like the fact that I'm known at the hotel' Pilot study customer.

'I expect recognition as a regular customer' Pilot study customer.

Pilot interviews also revealed that location is the most important factor for customers to choose a hotel, while price is a second determinant. Respondents declared that they would not extend any effort (such as driving 20 more miles) in order to stay or use their first choice hotel company, as again location is the most important factor for them in choosing a hotel.

General expectations of hotel companies as emphasised by respondents were concerned with the provision of good standards of accommodation facilities, good communication systems, acceptable food and beverage facilities, the acceptance of major credit cards and efficient message delivery system. Suggestions for improving the relationship with regular customers included offering a guaranteed price at any hotel location within the hotel company.

It can be concluded that respondents expressed loyalty (that was characterised by repeat visits) to a number of hotel companies. Their loyalty was based on location and price convenience. Nevertheless, some respondents appeared to be transactional driven by

nature. In other words they did not perceive their contact with the hotel company as a relationship that could extend for the longer term. Loyalty was, as stated before, subject to certain factors and that might change if better conditions were to be offered by competitors.

Respondents were frequently travelled customers whether for business or leisure. They stressed the importance for hotel companies to meet the basic requirements as a prime prerequisite to customer loyalty. They have an encouraging attitude to recommendation behaviour, whether for or against their chosen hotel groups.

9.6 Appendix F: An example of domain analysis for managers' interviews in the DE hotel group

The management role

Included Terms	Semantic Relationship	Cover Terms	Ref
I would say my own perception of my role has changed since the last Malmaison I was in which was in Glasgow, and it may be to do with the size of the hotel, but before I was far more in front picking up cases or in the brasserie, or even up in housekeeping and things like that.	is a kind of	change of role perception according to change of hotels worked at	Andrew mal 1
I'm probably a bit of an exception. I think general managers are different creatures in different hotels.	is a kind of	looking at general managers as different creatures in different hotels	Andrew mal 1
I don't see that as my role any more. I see myself as being more involved with the staff and the management here probably more than with the guest because if I'm not doing that then those people who are generally in contact with the guest far more than I am will not be able to do the job properly.	is a kind of	seeing his role as being more involved with the staff rather than with the customers	Andrew mal 1
So I think it's more important and it's probably the bigger you get in terms of hotel size the more important it is to act as a real general manager and that is someone who is watching the business, the figures on a daily basis and that's as important thing.	is a kind of	acting as a real general manager the bigger the hotel size is	Andrew mal 1
Besides, in head office, they are just looking at the numbers. So it's important that I'm watching the business in terms of the financial side, but also very much in terms of the people who work here and I can do that by walking around, of course I can do that by guest feed back.	is a reason to	be more involved in the operational side	Andrew mal 1

<p>I would say that I don't see myself as sort of host type of person, who spends all the time out and have a drink in the bar and having dinner with people, I actually did that pretty infrequently. I think also from a personal point of view, not that it's a 9 to 5 job, I do see it as a Monday to Friday job. Because I've got senior people who are capable of looking after Saturday and Sunday, I've done also Saturday and Sunday thing as well, I've done the seven days a week, I'm not doing this anymore.</p>	<p>is a kind of</p>	<p>not a host type of person, and depending on other senior management to be available in week ends</p>	<p>Andrew mal 1</p>
---	---------------------	---	---------------------

9.7 Appendix G: An example of taxonomic analysis for participant observation in the ABC hotel group

Customers' feelings and reactions

	Relaxed	'don't worry'	
	Impressed and appreciative	'Oh please don't go and buy new ones just on our account'	
	Curious	about other hotels in the group	
	Different	well looked after	
	Increasingly demanding		
	Partnership	'We use all the hotels in the group,	'We spend a lot of money'
Customers' feelings and reactions			
	Unpleasantly surprised	Cannot check in now after a long way to come	
	Dissatisfied	'If the company doesn't advise its hotels, there is no point doing it (Club Arcadian)	Complain to the General Manager
	Angry	Blaming members of staff for an accident happened	
	Unhappy	Do not understand why is this happening	

				relationship oriented			
				Get things done efficiently is the main concern			
				Was not clear according to internal problems			
				Customers are increasingly demanding	'They are too demanding and sometimes unreasonable'	This lady was a real pain', 'the whole group was a nightmare'	
				Staff feelings about customers			
				Passively	'sorry'		
					Blaming other colleagues		
					Blaming the system		
				Efficiently	Go out of the way to solve the problem		

9.8 Appendix H: An example of taxonomic analysis for managers' interviews

Relationship marketing

		General Manager of Hotel B	' we all hear the statistics where if somebody has a bad experience, they'll tell ten, somebody has a good experience, they'll tell five and the opportunity is there for us to provide the good experience'	' relationship marketing is to provide that good experience, that individual style and attention to service detail to the guest'				
		General Manager of Hotel C	'I've heard of it but I don't know what it means. Tell me'					
Relationship marketing	Customer treating Approaches	A: 'we actually don't make any differences with one guest to the next, like everybody has to be treated the same, at this end of the market, everybody is paying a lot of money to stay at the hotel' B: deliver different relationships to different market segments	'I've experienced other hotels where the Monday to Friday business is treated fairly different from the weekend business because of a price differential and I think that's wrong'	'if you become complacent enough to treat somebody differently because of a rate, then you're going to start to lose some of your business and all business is good business'	'if your fundamental principal is customer care, then everybody who walks through the door should be cared for'	Different approaches to deal with different market segments i.e. the type of hotel information customers need to know		

		C: 'the relationship we have with the different market segments doesn't really change. We try to have the same relationships with all clients, we try to treat them all equally. They all have the same expectations in relation to their package and as such we should treat them all exactly the same. I think, I hope that is what we do.'	'we do take a different approach with them, but ultimately the idea is they all get treated the same because they all get the same courtesy and the same level of service'	delivering different relationships according to the different service that different market segment require	'I suppose that we do have different relationships with different clients, because the importance is understanding what they want isn't it?'			
	relationship marketing advantages as seen by the hotels' managers	for the hotel	'we don't have to go out and look for more guests, it is easier to keep a client than it is to go and find a new one'	'you've got a source of business there'. 'there is a bit of a relying factor there'	'customers become easier to obtain, it's easier to remember their likes and dislikes'	'customers are much more likely to let us know that we have a problem, if we have a close relationship'		
			'if we don't have a close relationship with them, we can be absolutely sure that they will walk away and we will never know why'	'customers will become less demanding because they know the people'	'the benefits are obvious, if anything at all, you're going to get repeat business'	'you haven't got to do so much sales and marketing work'		
			'you've got relationships with people who trust you and whom you can work with much easier, because it's far easier dealing with a conference second, third, fourth time than it is the first time because they don't know you and you don't know them much.'	'the benefits outweigh the problems'				

Relationship marketing		for customers	familiarity with the place	developing good memories through over the stays	‘they feel a lot more comfortable with the property’. ‘they know what they can do and what they can’t do.’	‘having the customer being able to walk through the door and recognise that other person on the desk is the same person that was there last week’
	Relationship marketing disadvantages as seen by the hotels’ managers	‘it could be argued that, there would be a short- term pain in terms of cost to get these people back’	‘...given the edge on manpower we’re putting in, the extra equipment that we’ve needed, new computers, all sort of things’	there is a fine line between relationship marketing and putting pressure on customer	‘there is no disadvantages, there is an expression that familiarity breeds contempt’	
	How customer relationships were described	customers have a relationship with the individual hotel because of the staff	‘it’s a people relationship’. ‘It’s a people industry’	‘your biggest tool you can have is the individual character because people buy you as an individual, yes they buy the hotel but they come back because of you really’	‘they love you and they love her because, we’ve got a relationship, we know all about her and all that’s how it should work’	‘there are so many guests that have a relationship with the hotel and all the staff’
	prefer to have the relationship with them as an individual hotel than with the Head Office	‘we won’t be able to say to the Head Office: it would be nice on the marketing letter that you send out to mention the fact that they now have two children. How are the children getting on? They must be one year old or something. We won’t have this control.’				‘professional relationships with the manager and the staff’

			partnership	‘the partnership is that I will obviously spend in terms of advertising revenue some money with them (The Kentish Times), but I will also continue to develop that relationships’	‘they actually felt quite good that the management of the hotel was able to go to them and say, listen, we’ve got a partnership going here, can you help us out, I’ll help you out’	interacting with the community to increase relationship-building opportunities (London Golf Club, Chambers of Commerce)				
			augmented service	‘in terms of relationship marketing with the guest, we now have a meeteer and greeter who comes in three, four mornings a week. There is one person delivering communication to conference clients’						
			an integrated approach	‘our relationship marketing works both ways, it isn’t just with our guests, is also how we look at the team and how we develop them’						
			applying the approach subconsciously	‘it’s probably something we do self- subconsciously’						
			direct relationship	‘we particularly like them (conference customers) to book direct because we don’t like to pay agent fees’						
			look for opportunities to talk to customers	‘you’ve got to keep your eyes wide open for the opportunity and get to talk to your guests a bit more’						
			What constitutes relationship marketing in their perspective							

			staff believe in customer relationship	‘the key... the people who help us with that are the staff, most definitely. They’re really the ones who drive this relationship’					
			a full participation by all guest-contact staff	‘they’re taken to their rooms with their luggage, and then the porter will probably ask them how their journey was, whether they’re here for business or pleasure. He’d want to know a little about them and try to spark up a conversation’	‘when they come down for pre-dinner drinks, they’re probably asked by the waiter: how is your stay? And all the way along we try to make-not friends- but trying to make some sort of relationship with the guest’				
	Building up the relationship with a new customer		commitment, enthusiasm, ownership and trust	‘if somebody comes in for the first time, you’ve got a new client, internally you’ve got to have the commitment, enthusiasm and the ownership to make that relationship work, then the trust evolves’					
	Factors (constraints) affect the relationships		difficulties to maintain the relationship due to circumstances change, e.g. people move away or die, etc.	‘the information we have on the guests will probably be out of date by three to four years time, because they’ll have moved to a different address. Their life will have changed’					
			business orientation	‘these managers are governed by costs, they’re not governed by let’s take the quality angle in looking after the guest, they have to be more of an accountant’					

		financial pressure and cultural issues	‘ I think hotel managers are under pressure just to fill the rooms and I think a lot of them don’t have time to go look for that, that guest returning because may be they’ve not been brought up that way. It’s a shame.						
		high staff turn-over	I’d say around 80% of staff will not be here in probably a year’s time, let alone 2,10,13 years time. They won’t be here.						
		technology advance	‘ the computer system we use, in four years time won’t be here. There’ll be a new computer system’						
		fail to fulfil promises	‘that’s simply down to the fact that we fail to live up to our promise and their expectations’						
		external factors	such as having a bad day or an exhausted journey	‘these sort of things sort of carry themselves on into our relationship with them’					
		how trust works	‘that individual can trust you in terms of will they always deliver that fine product, that fine service day in and day out? Let’s go back again, or they did a wonderful job, I’m gonna bring my top guys here now’						
		Relationship marketing and ‘trust and commitment’							
		how commitment works	‘I think your commitment is number one, but your commitment will always be only present throughout that relationship because you’re making a commitment to constantly look after them and constantly attend to their needs or their special requirements that they want every time, they always lie the same room sort of thing’						
		customer commitment	‘I think there is a commitment from my customers to me, that as long as we give them fine service, fine food and so and so, they will come back again. There are a lot of hotels, and this is the loyalty, they come back to you because they want to come back’						

9.9 Appendix I: An example of domain analysis for customers' interviews

How the relationship was described

Included Terms	Semantic Relationship	Cover Term	Ref
I think they are very reliable	is a kind of	reliable relationship	1
if you have certain questions or certain demands, they're really fulfill them	is a kind of	fulfilling	2
I have also been organising things for other people with special requests and they were very pleased with it	is a kind of	satisfactory or pleasing	3
everything was perfect	is a kind of	perfect	4
They send me things through the mail. They just mail me things. They send me brochures and things like that	is a kind of	only mail based relationship	5
-- hotels are not distinctive in anyway I would say it doesn't stand out to me in anyway.	is a kind of	not distinctive relationship	6
You use that word relationship ha ha ha. It feels pretty transactional to me. It's a transactional relationship; I don't feel anything for them or anything, loyalty or anything really. It's not distinctive in any way, no better or worse than anybody el	is a kind of	transactional relationship	7
Oh, very good.	is a kind of	very good relationship	8
They're very good. I find them very obliging and helpful. They've got very good staff at that one and they have very professional staff at the one in Jersey as well. I've been there long time I know some of them, they are very professional.	is a kind of	personal relationship with the hotel staff	9
I think they are a good company	is a kind of	good relationship	10
I think I'm quite loyal to ---	is a kind of	loyal relationship	11
Very good.	is a kind of	very good relationship	12

Very friendly, I like it.	is a kind	very friendly relationship	13
It's very good, I've never had a problem, there's never been any complaints come back when we've had our meetings there.	is a kind of	very good relationship, no problems, no complaints	14
' I'm not aware of a relationship'	is a kind of	not being aware of having a relationship	15
' I don't have any relationship with them of any kind'	Is a kind of	not having a relationship	16
' I don't really have a relationship as such'	Is a kind of	Not having a relationship	17