The Customer Experience in the Hospitality Industry

Part 1

The Hospitality Sector Perspective
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Forward

“A vital piece of intelligence for all hospitality leaders. Whether in preparation to welcome the world as hosts of the Olympic Games 2012 or simply to grow sales and profit in the most competitive economic conditions for a generation this report based on robust “actual” visit data identifies the challenges and opportunities ahead.

The report presents compelling evidence for a shift in focus – to engage existing guests and leave them with a desire to return and tell their friends. Peer to peer recommendation has always been the most powerful marketing vehicle and in a social media rich environment the opportunities and risks are even greater. Such customer centric intelligence; vital for competitive advantage; was not previously available but Customer Service Benchmarking now provides an accessible tool for all leaders to assess where they currently are and to identify the scale of their opportunity gap by measuring and benchmarking performance in areas that matter.

The report raises some important questions and challenges.”

Bob Cotton

“A vital piece of intelligence”
Introduction

This is the first in a series of three reports which unpick the reality of the customer experience in the hospitality industry, initially considering the sector perspective, subsequent reports “mine” the wealth of data at our disposal to consider the sub sector and competitive set performance before providing insight and intelligence gleaned from the performance of the best of the best.

We benchmark Experiences because It is the delivery of experiences; the added value, memories and emotions that matter, rather than the provision of customer service or goods.

We will demonstrate that many fail to deliver even consistently excellent goods, most simply transact customers leaving competitive advantage for those who genuinely value guests and provide them with experiences that cause them to leave with a burning desire to return and bring their friends! What business are you in?

A great burger or pizza is not enough, good customer service and customer satisfaction are not enough and we will demonstrate why! We will also identify critical metrics and customer “profiles” to help drive growth. Honestly appraising the experience you afford guests is critical because average is not good enough, the competition for consumers time and money is intense and coming from all quarters. Insight and Intelligence is key to supporting your goal of delivering memorable experiences which develop advocacy and competitive advantage and we hope these reports help you shape your goals. These reports are a starting point, as you review them consider the following questions:

- What do your target market expect?
- What do your target market want?
- Who are your competitors?
- What do you do better than your competitors?
- What do they do better than you?
- How are you going to excite your guests to become advocates and help you grow your business?

Be Better, Go Beyond Service and Satisfied!
Stop transacting and start exciting guests!
Apple have always understood and continue to understand that they are not in the business of building computers!
Too many in the wrong business!

Contents

- Average cannot be the extent of your aspirations!
- 34% of all experiences diminish future sales!
- Grasp the competitive advantage opportunity
- Be In the business of delivering experiences
- Who cares wins!
- The training isn’t working!
- Don’t allow brand standards to inhibit your team!
- Guests need to feel enthusiasm, affection and kindness!
- Think lifetime value!
- Most hospitality guests would not recommend!
- Stuck in the mentality of delivering goods!
- Cardinal Sin – Recruiting personality then training it out!
Our Questions assess the following aspects of the guest experience:

- Willingness to Recommend
- Perceived Value
- Welcome
- Warmth
- Interest
- Confidence
- Pace
- Training
- Knowledge
- Reflections
- Personality
- Skills

We use SUBJECTIVE questions to explore the guest experience NOT the adherence to brand standards.

Our questions have been carefully designed and robustly tested. They aggregate into the three categories above.

Measure outputs not inputs!
Over 3000 guest centric mystery visits inform our unique benchmark insight offering competitive advantage for those who care!

From the data we provide performance benchmarks so that clients know where they are on their journey to delivering experiences that engage & excite guests generating competitive advantage and increasing guest advocacy.

We can benchmark performance against the appropriate industry benchmark averages derived from our ongoing “uninvited visits”

<table>
<thead>
<tr>
<th>Hospitality Sector</th>
<th>Casual Dining</th>
<th>Budget Hotels</th>
<th>Community Pubs</th>
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<tbody>
<tr>
<td>Drink Sub Sector</td>
<td>Fast Food</td>
<td>5* Hotels</td>
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<tr>
<td>Accommodation Sub Sector</td>
<td>Coffee +</td>
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<tr>
<td>Food Sub Sector</td>
<td>Fine Dining</td>
<td>3-4*</td>
<td>Gastro Pubs</td>
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<td>Ancillary</td>
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<td>Boutique Hotels</td>
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Most importantly we can benchmark performance against the best of the best from all available visit data – with monthly reports identifying performance gaps and actionable recommendations.

Eclectic Benchmark - “The best of the best”

Perhaps your business could contribute to The Eclectic!
Average cannot be the extent of your aspirations!

Hospitality Sector Benchmark
75.42%

Guest experiences have improved but it remains a mixed bag with visit scores ranging from 18% – 100%
Evidence of belt tightening in inflationary times served up diminished performance in October & November
75.42% is Average – the target is 90%

Productivity improvements can not be at the expense of guest experiences
Only 13% are gaining recommendations

Only 13% of businesses scored ≥ 90% the level required for recommendation – 87% of businesses are not delivering experiences worthy of recommendation

34% of businesses scored ≤ 60%

The graph describes the % of average scores achieved in each percentile and is based on over 1400 "uninvited visits" across the hospitality sector.

34% of all experiences diminish future sales!
A different perspective reveals a substantial Opportunity.....

With the correct focus 30% could readily transform their business and convert existing guests into their most powerful marketing vehicle – peer to peer recommendations. This would not only transform their business but the dominant view of the sector. Enticing ever more potential guests away from their streamed HD film, M&S meal and wine deal, 50p bottles of lager and very comfy couch.

Grasp the competitive advantage opportunity!
Michael Porter

The basis of above-average performance within an industry is sustainable competitive advantage. There are 2 basic types of competitive advantage:

- Cost Leadership
- Differentiation

“The only truly sustainable competitive advantage is to learn faster and deliver better than your competitors”
Short on Personality and short of the Target!

Personality is the worst performing category, depressed by a failure to: welcome, be interested in the guest and demonstrate warmth.

Reflections is limited by ambivalence and guests unwillingness to recommend dragged down by a lack of personality and guest engagement.
“Experiences are as distinct from services as services are from goods” - Tom Peters

What a year 2011 was! High debt burdens – spiralling fuel & food costs, squeezed profit margins, falling sales or sales propped up by discount fuelled guests – labour cost controls – fearful teams dominated by part time transient workers. Result – Too much debt – not enough personality!
Indeed many businesses closed as UK PLC fights for the available leisure spend in the face of ever more discerning and value conscious guests who have more choice than ever before.

“Shall I go out to my local restaurant or relax in my comfortable sofa watching a streamed HD film washing down a M&S £10 Meal for 2 and bottle of wine with a few 50p bottles of beer or lager?”

Hospitality businesses should be in the business of delivering experiences not selling goods or services!

The reality for guests is somewhat different:
Some sell Goods – burgers, pizzas, flat whites, cask ales, bottles of wine, steaks or beds
Some sell Services – they transact or process goods to guests – they simply get the job done
The best provide Experiences – delivering goods and service with the enthusiasm, expertise and style that elevates the delivery of basic guest needs so as to create memorable moments – transforming a process into an experience.

Too many customers are given goods for a price, most are simply transacted leaving the majority of guests sufficiently disgruntled to share their thoughts on twitter and facebook thereby accelerating the demise of operators who will certainly get what they deserve – faster than ever before.
Meanwhile the best continue to deliver and focus on team and guest experiences, growing the gap between themselves and the rest while warmly, welcoming new friends with huge smiles, an open heart and many kind words – delivering experiences guests pass on peer to peer.

Be in the business of delivering experiences!
The Ownership factor

Independent hospitality businesses outperform Branded or Chain operations. While both groups fail to attain the target 90% the 6.28% gap is significant. Do owners care more than managers? The independent v chain data reveals a significant challenge for sector chain owners – how to get corporate managers thinking and behaving like owners.

“Most independents are best off, I think doing what I prided myself on doing for so many years as a storekeeper: getting out on the floor and meeting every one of the customers. Let them know how much you appreciate them, and ring that cash register yourself. That little personal touch is so important for an independent merchant because no matter how hard Walmart tries to duplicate it – and we try awfully hard – we can’t really do it.”

Sam Walton, Walmart

Who cares - Wins!
Its time to review your slice of the reported £4,242 million spent annually on training – Are you getting a ROI?

No business needs to be exceptional in every area but it certainly needs to be exceptional in some and particularly those that matter to their target audience.
The 4 weakest areas are the most important: Welcome, Warmth, Interest and Knowledge

The sector is below target on every measure!

The training isn’t working!
Take the leap

Start Engaging and exciting your guests before they find your competitors

Stop training process, and transacting guests, release the personality and measure what matters rather than brand standards

According to the National Employment Survey the sector spends £4,242 million on training each year.... yet:
According to a recent Square Meal survey 45% of complaints are due to bad service.... and
65% of employers report a need to improve customer service skills according to The National Employer Skills Survey

“Not everything that can be counted counts”
Albert Einstein
Have you ever recommended a restaurant on the basis of “its world class table checks”?
While conducting another unnecessary table check within the required timeframe, are your team missing opportunities to engage guests in a way that would grow sales for today and tomorrow!

Don’t allow brand standards to inhibit your team!
Guests need to feel enthusiasm, affection and kindness!

Most Valuable Driver: Warmth

Warmth @ 30% is the most cited positive driver of recommendation

Value @ 31% is a prominent driver but most frequently cited for negative reasons

Training is the least influential factor @ 3%

Emotions drive value, connection, willingness to recommend and advocacy.
Introducing Net Promoter
90%+ or you are nowhere

Net Promoter® developed by Satmetrix, Bain & Company, and Fred Reichheld, is a useful measure of customer loyalty. It polarises your promoters and detractors and is calculated as:
(The percentage of guests scoring ≥90% on willingness to recommend) –

Disney’s own research has found that advocates – those scoring ≥90% are worth 4 times as much to the company over their life than other guests.

There is clear evidence that for anyone considering their satisfaction, loyalty and the willingness to recommend performance a score in the realms of 7 or 8/10 (which might get you an A* at school) cuts no mustard with consumers in the real world. If guests are not rating 9/10+ they are not going to recommend you!

Think life time value!
In the example above only Unit 2 guests would act as advocates while in the case of Units 3 and 11 the guests would leave sufficiently dissatisfied to act as detractors. Unit 2 guests would advocate and would likely include the knowledge of the team and the value for money when recommending to colleagues or friends.

The hospitality sector net promoter score (based on our “uninvited visits”) is **12.4**

**Definition:** In every 100 guests there are only 12 more promoters than detractors. More guests are ambivalent while 61% of guests would not be willing to recommend.

While this compares favourably with certain sectors of UK PLC such as Utilities @ –35 it is best put in context by considering Apple 78.35 and Amazon 70.33 as reported by Satmetrix 17/2/2011

Most hospitality guests would not recommend!
Stuck in the mentality of delivering goods!

Food & Drink Rating 78.45%

In the most recent 100 “uninvited visits” we have included the question: Please rate the food and drink.

While the sector is substantially below the 90% target on both experience and F&B metrics guests rate the food and drink more highly.

Better at delivering goods and a long way from delivering experiences.

Stuck in the mentality of delivering goods!
 Sector Headlines

- The hospitality benchmark is 75.42% – 14.58% below the 90% target level. Average is not competitive advantage.
- 13% of businesses act as sector assassins – creating “hospitality detractors”
- 30% of businesses could transform their business with focus. A shift of less than 10% in current performance levels is all that is required.
- Personality is the weakest performing area for the Hospitality Sector
- Welcome, Warmth, Interest and Knowledge are of most concern
- All areas are well below the 90% target that is required to assure recommendation
- Warmth is the most cited positive driver of recommendation
- Training scores best – What was the ROI on the £4,242m investment? A well trained team does not of itself drive guest recommendation.
- The industry has a Net Promoter of 12.4 – another indication of guest ambivalence, unwillingness to recommend and competitive opportunity

Cardinal Sin
Recruiting personality then training it out!
Conclusions

Having excellent products or goods available is not enough. Processing guests through your service system leaves future sales in jeopardy in the face of better operators and social media. The sector performance is average – the majority do not deliver experiences that develop advocacy and growth. The sector is significantly below the 90% benchmark level which promotes growth. The sector is better at providing food, beverage and accommodation goods. The sector is better at systems and processes. Without personality hospitality businesses are simply expensive vending machines. Personality drives connection and feelings of warmth yet this remains the weakest area.

“To deliver better and learn faster than your competitors is the only truly sustainable competitive advantage” M. Porter
Yet the majority are fighting on the battlefield of goods and efficiency.

Measure the things that count not what is easy or convenient!
LET US DEVELOP YOUR COMPETITIVE ADVANTAGE

WHAT YOU GET
A service dedicated to help provide you with the insight, intelligence and support to grow competitive advantage. We will arrange independent mystery visitors who will appraise the experience against our “fixed” benchmark questions as well as your 6 custom questions. Each visit generates a PDF visit report – distributed to you by e mail within 48 hours of the visit.

Why we are different!
No internal analysis is necessary as we provide you with a performance report after each wave of visits comprising:

- Internal benchmarking – you against you as you expect of any mystery guest program
- Benchmarking your performance against the sector, sub sector and competitive set benchmarks
- Benchmarking your performance against the best of the best using our Eclectic Benchmark
- Net Promoter Score indicator and benchmarking
- Certification for sites who achieve 3 or 6 consecutive 90% visits
- Draft press releases produced for your circulation – as appropriate
- Best practice INSIGHTS & RECOMMENDATIONS to support improvement
- Social media highlighting

We will also be pleased to attend one team meeting per annum to help focus and motivate the team as an external and independent voice. Additional sessions can be arranged but will be charged.

No Annual Contracts | No Set Up Fees | No Hidden Costs

David McHattie: 07795813097
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In our hands the right questions + independent professional mystery guests produce pragmatic, operator centric intelligence reports that drive focus & improved customer service and advocacy.

### Flexibility as Standard
You decide the frequency:

For a single site operator insight based on 3 visits may be sufficient and all that the budget can stretch to.

For larger organisations or collections of sites you may wish to arrange weekly, monthly, bi-monthly or quarterly visits to develop robust benchmarking data by site, by collection or brand.

Medium or larger PLC organisations; with one or multiple brands; may decide that one or two visits per site over the course of the year is appropriate – visiting & reporting on one brand or region per quarter. Or simply ask that a quarter of all sites are visited and benchmarked per quarter Your business your choice.

Focussing the team on what matters
Gather sufficient data to identify development opportunities
Acting upon the insights and recommendations

### COSTS
Our costs are based on a per visit cost of £95 plus VAT – this price is based on our minimum requirement of one site asking for three visits. The only other cost will be the amount agreed to cover guest expenses – this is your choice and can range from nil in the case of a telephone enquiry to hundreds of pounds if a 5* hotel requires guests to stay and sample the restaurant, bar and breakfast in the morning. These are entirely your decision and you can be as prescriptive as you wish – most restaurant operators simply settle on – a meal for 2 capped at £50 – or similar.

### Take 15% OFF

Limited OFFER

Take 15% off

until 30th June 2011

Performance Benchmarking + Consultancy for the cost of a mystery guest!
Part 2

Delving into Sub Sector & Competitive Set Comparisons

coming soon....

- Food, Drink or Accommodation? Which sub sector is leading the way?
- The value of a receptionist – is it sufficient?
- The issues facing the pub industry
- Which accommodation competitive set is setting the bar for the rest?
- Unpicking the food led competitive sets
- Are coffee shops doing a better job than fine dining?
- Fast Food or Casual Dining? Budget or 5*?
- Guest migration patterns
- Going out of business in blissful ignorance
- Avoid Developing Negative Emotions!

A mixed bag!
Part 3

coming soon....

What can we learn from the best of the best?

- Why some businesses prosper and others fail
- The genius of Steve Jobs
- Which businesses are setting the pace – the Eclectic Benchmark Contributors
- Case 1: Knowledge = confidence and growth
- Case 2: The power of personality and pace
- Case 3: Engaging guests drives promotion
- Case 4: Budget Hotels – Better than you imagined?

Differentiated, better and prospering!