

Luxury Hotelier's 2007 Top Ten CRM Resolutions

By Madigan Pratt

Customer relationship management (CRM) is a relatively simple concept designed to acquire, grow and retain profitable customers better and faster than competition. Implemented properly CRM will create more loyal customers, more repeat business, more referrals through positive word-of-mouth and have a dramatic impact on your hotel's bottom line. This is especially true for luxury hotels.

Consider this – companies with the strongest customer relationships – possess the most loyal guests - grow at twice the industry average and are significantly more profitable. It's a fact.

What would you do if management said your 2007 objective is to increase occupancy and profit at twice the rate of your competitors? Certainly not an unrealistic objective – from management's perspective. Would you increase your sales force? Increase advertising or public relations? You certainly wouldn't pump inventory into third party online intermediaries.

The best chance of achieving your objective is to become totally committed to creating more loyal customers and the only way to do that is by implementing an effective CRM program.

Large hotel chains, casinos, cruise lines and airlines know the advantages of CRM and are investing hundreds of millions of dollars to build evermore effective programs. The good news is that CRM is now more affordable than ever and is well within the reach of small and medium size luxury hotels.

So, whether you are just starting your CRM program or revitalizing an existing one, let the following be your credo:

In 2007, I firmly resolve to:

1. **Completely embrace my customers** – I will do everything possible to ensure my guests have the best possible experience and the most memorable vacation the hotel can offer while they are here. Providing a high quality product with a good perceived value is fundamental to building a strong brand and loyal customers. Luxury hotels do this well.

I will capture the essence of my brand experience and extend it into every aspect of my marketing – into every customer touchpoint including all customer service and reservations interactions and all my communications.

My brand will be integrated throughout the entire customer experience; before guests arrive, while they are here and after they leave.

2. **Conduct a CRM Audit** – Independent financial audits are a business reality helping ensure fiscal health, highlighting opportunities and alleviating problems. It tells you where you are and where you need to go.

A CRM audit is much the same thing. An independent CRM or database audit can provide valuable insights into your existing program, ways to make it more effective and boost your return on investment. At the very least it will help confirm the direction you are taking is correct, create greater internal support and allow you to proceed more efficiently.

CRM audits should be conducted periodically. They make good business sense and pay for themselves through improved productivity and return on investment.

- 3. Capture and protect relevant customer data** – I will be relentless in obtaining customer information that can be used to better serve and satisfy guests and prospects. I will not tolerate errors in collecting at minimum the name, address, telephone and email address of every customer.

I will add staff to the front desk and devise innovative programs or incentives as necessary to make sure we capture customer data that will allow us to market more effectively.

Beyond basic data, I will only capture information that can be used to improve customer satisfaction and relevancy of future marketing messages.

I will protect my customer's data and privacy ensuring it is never misused. I will not violate their trust. I know there can never be a relationship or loyalty if there is no trust.

- 4. Consider the benefits of CRM, not just the out-of-pocket costs, when budgeting my program** – Granted CRM costs money. For many luxury hotels the majority of those costs can be generated by reallocating the existing marketing budget and eliminating "feel good" efforts with nebulous ROI.

Beyond all the loyalty and competitive advantage benefits, in the end there needs to be hard financial data supporting the program. Here's a simple example of what a luxury hotel stands to gain by improving its data capture as outlined in point #3 above.

A 200 room luxury hotel averaging 70% year round occupancy and five night stays has 10,220 bookings each year. For this example let's assume the property has a 40% repeat rate and it has complete and correct information for repeat guests in its database (4,088 good contacts).

The front desk successfully collects 60% of first-time guest's names and addresses and correctly inputs all information into its database (add 3,679 more good contacts for a total of 7,767).

The hotel stands to lose contact with 2,453 first-time visitors this year. With its 40% repeat factor 981 potential guest visits are at risk.

If the average stay is \$3,000 (we are talking about luxury hotels) the property stands to gain \$2,943,000 in easy revenue if it improves its data capture, keeps in contact with these guests and gets them to return.

To keep it simple this example assumes that the 981 potential guests return only once (don't become regular visitors) and does not factor in any word-of-mouth these guests may generate. Other things it does not factor in is that your CRM program should increase your repeat rate as well as the percentage of customers booking directly with the property – all factors that will increase revenue.

You can do the math using the numbers for your property.

And remember, it's ten times more cost efficient to attract repeat customers than it is to acquire new ones. Makes adding support at the front desk to improve data capture look like a no-brainer.

5. **Deliver relevant content to customers and prospects** – Don't you just hate getting email and direct mail from companies with content that is not relevant to you? Your customers feel the same way. So if you're trying to build a relationship, plan on sending information potential guests can use and will want to act upon.

If you capture relevant information on guests and prospects and properly segment your database, then delivering useful information to build relationships will be much easier and more rewarding. Relevancy, relationships and loyalty go hand-in-hand.

And don't think customers are only interested in deals. That attitude (and violating the next resolution) has led to the commoditization of far too many hotels.

6. **Banish "Email Blast" from my Lexicon** – Just because the technology to *blast* email messages to tens of thousands of poor souls exists doesn't mean I should. Sending *blasts* can produce short term benefits however effectiveness diminishes over time.

Email blasts are the epitome of lazy marketing - it is the antithesis of the highly targeted, relationship-building approach practiced with CRM.

When someone on your team recommends sending an *email blast*, after you stop cringing have them read resolution #5 on relevancy.

7. **Measure effectiveness and allocate resources according to ROI** – With the tools provided in the CRM program I will measure the effectiveness of all my future marketing efforts. Funds for media and promotion will be allocated based on each one's ability to increase customer loyalty and improve the bottom line.
8. **Treat marketing more as a science than an art** – Years ago in the time of mass marketing advertising was king and thought of more as an art. Have you ever asked an advertising agency for "break through" creative? While great creative is still nice to have the fact is there is not an overabundance of it in the hotel business today. And besides, the days of mass marketing – especially in the luxury hotel market are gone for good.

Marketing is now more of a science – a science of understanding customers on an individual basis and communicating one-to-one. You build relationships and loyalty through dialogue, not by pushing deals through mass marketing or email blasts.

9. **Keep Top Management Intimately Involved** – CRM is a company-wide business strategy requiring interdepartmental cooperation to be successful. That cooperation, even in a small hotel sometimes needs a gentle push from above to keep the program on track.

The more top management can come to "own" the initiative the quicker you will be able to build the relationships and loyalty you want. Plan on holding regular progress meetings to report on performance and milestones and be sure to emphasize the positive return on investment achieved. As ROI increases so will management's ownership of the program and funding to expand CRM efforts.

10. **Bring in outside resources as needed** – While CRM is a relatively simple concept it's nonetheless difficult to implement. If it was easy everyone would be doing it and for luxury hotels seriously committed to building a program, therein lies your competitive advantage. Few of your competitors will be able to build equally loyal relationships with their guests.



Since there are so many different facets to CRM you shouldn't hesitate to bring in outside expertise as needed to keep your program on track. If you've done the math you know it will prove worthwhile.

Should top management say your objective for 2007 is to increase occupancy and profit at twice the rate of your competitors you now have ten practical ways to help achieve it. If you followed the top ten resolutions provided from last year you are that much closer to realizing that goal. CRM does take time.

I would like to leave you with one final thought – research from the prestigious consulting firm of Bain & Company shows that depending on the industry, when firms retain just 5% more of their best customers, corporate profits can be boosted 25 to 85%.

The best way to increase retention is to increase loyalty. And today the best way to do that is to implement an effective CRM program.

Good luck on keeping your 2007 resolutions.

Madigan Pratt is Managing Director of Madigan Pratt & Associates, Inc., an award-winning Hospitality Marketing and CRM Consulting firm. MP&A specializes in helping small-to-mid-size hotels acquire and retain profitable customers and optimize revenue.

Mr. Pratt directed marketing for an upscale resort that won the 1to1 Marketing Impact Award presented by the Peppers & Rogers Group, the worlds leading authority on CRM. He also directed marketing for a Caribbean resort that won the Gold Atlas Award for Marketing Effectiveness presented by the Association of Travel Marketing Executives (ATME).

A frequent speaker at travel industry conferences, Mr. Pratt is also a widely published author on (CRM). He is a member of the Board of Directors for ATME and served for over a decade on the board of CTO. He serves on the Advisory Board for the HSMAI Resort Special Interest Group Best Practices. Prior to starting the consulting firm in 1989, Mr. Pratt held senior marketing positions at several of the world's largest advertising and direct marketing agencies servicing Fortune 100 companies.

CONTACT:

Madigan Pratt
Managing Director
Madigan Pratt & Associates, Inc – Hospitality Marketing & CRM
3204 Ironbound Road, Suite-D
Williamsburg, VA 23188
www.MadiganPratt.com

Phone: 757-645-3113

Email: Madigan@MadiganPratt.com