

Luxury Hotelier's 2006 Top Ten CRM Resolutions

By Madigan Pratt

Customer relationship management (CRM) is a compelling business strategy. Simply put, your CRM initiative will acquire, grow and retain profitable customers allowing you to achieve a sustainable competitive advantage. Once affordable by only the largest hotels and hotel chains, CRM has now become affordable for mid-size hotels and hotel companies.

There is ample research showing "Loyalty Leaders", companies with the strongest customer relationships, grow at close to twice the industry average and do so more cost effectively.

Nowhere is CRM and customer loyalty more important than in the luxury hotel segment. Competitors have the financial resources to continually up the amenity ante, a practice that is beginning to commoditize the luxury category. Physical amenities no longer offer you a sustainable competitive advantage.

All luxury properties offer incomparable levels of guest service – a vital component in establishing a relationship. Great service, however, is a necessity. It is however no longer enough to differentiate your hotel or offer a sustainable competitive advantage.

Today, your only option to clearly differentiate your luxury property from competition is to build a strong, emotional relationship with your customers. This will allow you to retain your most profitable guests and attract more people just like them. In other words, you must implement an effective customer relationship management program. You must resolve to become a Loyalty Leader.

CRM starts before a guest arrives at your hotel, is enhanced during their stay and continues long afterwards through all communications and contacts until they return. To become a "Loyalty Leader" and grow significantly faster than competition you need to either start a CRM initiative or re-energize your existing one. Let the following be your credo this year:

In 2006, I firmly resolve to:

1. **Begin (re-energize) my CRM initiative.** As the owner (senior executive) I will make it my responsibility to personally drive my hotel's program. CRM is a top down business strategy that will require integrating our business processes and eliminating departmental silos. This will require some organizational change but, I can and will make the decisions necessary to keep my CRM program on track.

I expect my managers to support the program and cooperate amongst themselves to achieve it. But I will be at the helm. It will take time I don't have, but the rewards will be well worth it. I am determined to be a Loyalty Leader – not a Loyalty Laggard.

2. **Make my customer database the foundation of my marketing efforts.** After all, "customer" is the first word in CRM. It all starts with the customer.

My database is my most valuable asset and I will treat it as such. I will find or reallocate resources to ensure that I am capturing the information I need for CRM initiatives and that my customer database is both accurate and up-to-date. I will review and make certain my PMS will support my CRM program. (Note: not all PMS systems offer the flexibility you'll need.)

- 3. Identify my most profitable customers.** I know all customers are equal; but some are more equal than others. I will use my database and available analytic tools to segment my customers and identify those who contribute the most profit to my hotel. I will profile my customers to determine the characteristics that differentiate my most profitable customers from others.

Once I have a better understanding of who my “best” guests are I will develop programs so they know I appreciate their business – I will treat my best customers differently. I will also develop strategies to acquire more people who look and act like them. (Note: this is not rocket science.)

- 4. Integrate all my marketing efforts – customer service, sales, advertising, public relations, direct marketing to focus on the customer.** I will break down departmental silos, establish cross functional communication and allow for a more coordinated, multi-channel marketing effort. CRM cannot work if every department and discipline operates in a vacuum and is allowed to communicate with guests and prospects haphazardly. I will establish an integrated program.
- 5. Establish metrics to determine the success of my CRM program.** I will begin by establishing a baseline benchmark to determine the quality and strength of my customer relationships. Whether it is customer satisfaction surveys, “likelihood to recommend” my hotel or some other criteria, we will measure progress. My managers know they will be evaluated based on progress in improving loyalty.
- 6. Allocate my marketing budget to programs and media that offer my hotel the greatest return on investment (ROI).** I refuse to be a slave to the past and continue allocating resources to programs and media I can’t measure. The time has come to stop “feel good” marketing (spending money where it just feels good). If it can’t be measured I will not allow my managers to spend money on it. Enough is enough!

I will create a learning environment. I will learn what works, what produces a positive ROI and spend more money behind those that do and eliminate those that do not. I will increase funding for promotion, direct marketing and Internet marketing programs as I know they are measurable.

- 7. Romance my most profitable customers before, during and after their stay.** Every luxury hotel provides guests with an exceptional experience while they are physically present on property. But what happens once they leave? All my marketing efforts will keep those memories fresh in the minds of my best customers for as long as it takes to get them to return.

Word-of-mouth continues to be my most effective marketing tool. Keeping memories alive will ensure my best guests will mention/recommend my hotel when they discuss great vacations with friends. Ahh, virtually free and very powerful advertising!

- 8. Employ “best practices” including permission based marketing to build strong relationships.** I will treat my guests and prospects exactly the way I would like to be treated – special. I will protect my customer’s privacy and not sell or exchange their information..
- 9. Expect it will take some time to start realizing a return on my CRM effort.** Although we live in an era of instant gratification I realize CRM does take time, especially at the beginning. I know my customer database, the very foundation of my CRM program, needs work. Information is missing, records are incomplete or outdated and email capture rates have been suboptimal. And it will take time to establish a cross-functional organization which may require new hiring.

Once organized for CRM however, I do expect continuous incremental improvements in my marketing and in my benchmark measurements of customer loyalty. My investment in CRM is a long-term investment in my hotel. The sooner I start, the sooner I will realize the full benefits and become a Loyalty Leader.

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(A CRMGuru study of 448 CRM projects in 2002 found that over 50% achieved payback in 18 months and nearly one-third achieved it in less than one year.)

10. **Seek the integrated marketing and technical expertise needed to ensure my CRM initiative is successful.** Knowing CRM is multi-dimensional and requires a very specialized skill set, if those skills are not available internally I will look outside for the support needed to get the program running as quickly and as smoothly as possible. I can also use an outside firm for advice on organizational changes that will be required to succeed.

If I use an outside firm, they must have a demonstrated competency in acquiring and retaining profitable customers and have access either in-house, or through partnerships to all the resources (at an affordable cost) to move my CRM program forward as quickly as my organization will allow.

There are two kinds of luxury hotels in the world today – those who have embarked on the road to CRM to become Loyalty Leaders to grow at twice the rate of competitors, and those who insist on marketing the old fashioned way, content to be Loyalty Laggards.

As an owner or senior executive of a luxury property you have a choice. If you have yet to start a CRM program or need help re-energizing an existing one follow these ten resolutions and you will soon be on your way. Good luck and safe journey.

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Our principals have held senior management positions at several of the world's largest advertising and direct marketing organizations. They have extensive knowledge of both disciplines and supervisory experience in numerous cross-functional marketing programs - the essence of integrated 1-to-1 marketing and customer relationship management. Founded in 1989, the firm has an established track record of helping clients become Loyalty Leaders and has proven that:

Relationships + Loyalty = Revenue + ProfitsSM

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