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An empirical study of hotel managers, and corporate buyers would indicate that there is a shifting trend both in customer and supplier needs, with the customer being perceived by management as the power within the relationship. However, the customer often perceives themselves to be at the mercy of the supplier and initial data gathered from industry consultants and channel intermediaries would tend to substantiate this.
Relationship marketing has been defined as marketing to protect the customer base through attracting, maintaining and enhancing customer relationships (Berry 1983; Lewis and Chambers 1989). Levitt (1981) refers to relational marketing as the consummation of a "courtship" rather like a marriage. Gronroos (1994) suggests a "paradigm shift" from the traditional 4 P's, first used in the 1960's to relationship marketing as one of the many contributory activities of marketing in the 1990's. Whatever the guise, relationship marketing is increasingly being included within marketing literature from database marketing, widely used within financial services, to interactive marketing within industrial markets. Although some of the issues raised are tested within this study, it is not possible to provide a full review of relationship literature within the context of this paper. The interested reader will find a more detailed discussion of some of these applications in Ford (1990); Christopher et al (1991) and Gronroos (1994).

Nowhere is relationship more apropos than in service industries. However, considering the increasing volume of literature published on relationship marketing, very little has addressed commercial application in practice. This paper attempts, through an exploratory empirical study, to test some of the issues of business to business relationships between strongly branded hotel suppliers and their corporate buyers and intermediaries. The extent to which the hotel sector requires special consideration is explored, an evaluation of the changing customer/supplier relationship provided and recommendations made.

BACKGROUND AND RATIONAL

Lewis and Chambers (1989) suggest that relationship marketing is most applicable when there is ongoing and periodic consumer demand, the consumer controls the selection of the supplier, there is alternative choice, loyalty is weak with brand switching commonplace and word of mouth is an
especially potent form of communication. The hotel industry is particularly prevalent of these conditions and is ideally suited to relationship building because of the vast amount of information that they are able to hold on their customers. They can identify who their customers are, where they come from, how frequently they come and how much they spend.

There is a tendency within any business to concentrate almost the whole marketing and sales activity on gaining new customers with little attention given to retaining the ones that an organisation already has. This has been a particular trait of the hotel industry. Traditionally profit driven, a general manager within the sector was only reputed to be as good as their last months sales. Consequently a short-term sales orientated approach was the norm. Personnel responsible for corporate marketing activity usually held the title of "Sales" or at most "Director of Sales and Marketing", often reporting to the Financial or Operations Director. Sales and marketing, particularly within UK based companies was considered to be a secondary function to the all important necessity of controlling costs. In times of recession personnel, and particularly those predominantly responsible for sales, were the first to be shed as cost cutting became the rule.

A review of literature and research on relationship building within the hotel sector proved to be disappointing with a great deal of confusion as to what it really meant. Traditional methods of customer retention used so successfully by airlines have failed to produce the same loyalty from hotel customers, (Rivers, Toh and Alaouo 1991; Toh et al 1991; McCleary and Weaver 1991; McCleary and Weaver 1992), corporate buyers preferring to shop around and negotiate on price. Incentives to customers does not constitute relationship marketing, for example the frequent flyer and guest programmes developed and promoted from the late 80's by the airline and hotel industries. Incentives do not solve customer’s problems and wants. Instead they provide something for nothing, often only if the participant pays a premium price, thus raising costs for both customer and supplier. In
addition, there is a growing trend for corporate buyers to move away from a direct relationship with their hotel suppliers, preferring to go through an intermediary.

In their analysis of the hospitality industry Olsen et al (1991) have identified several market trends that directly relate to the building of business to business and customer relationships. The growth of non-conventional marketing practices, through the increased use of technology and database analysis, has necessitated the need for a greater behavioural management approach. This is in direct conflict to the traditional operational approach, where branding has not evolved from market segmentation and understanding of customer needs but rather has been driven by product specification. Market research was often limited to national studies, for example, the annual UK National Opinion Poll Hotel Guest Survey, and guest comment cards distributed by some of the UK hotel chains. Only the larger more sophisticated chains have undertaken serious customer surveys and attempted to implement them into a Total Quality Management system. A detailed case study on the successful implementation of one such programme is provided in Teare et al (1994).

What do the above changes mean in terms of relationship building and what action, if any, needs to be taken by the hotel supplier to ensure profitable customer loyalty? The overall aim of this paper is to identify the degree that relationship marketing has been adopted by the hotel industry within business to business markets.

In order to provide some answers to the above question and meet the aim of the paper several objectives were set:

* to determine what is meant by relationship marketing to hotel owners, suppliers, intermediaries and customers within business markets.
* to evaluate the decision making process involved in the purchasing the hotel/travel product and identify key attributes in the purchasing and relationship building process.

* to establish whether there are differences in the perceptions of suppliers and buyers of what constitutes a successful or unsuccessful relationship.

**METHODOLOGY**

Secondary data gathered from industry sources including the 1993 NOP Hotel Guest Survey, industry analysts and relevant corporate publications, revealed very little data on corporate business buyer behaviour and relationship marketing. Due to the limitations of these data a qualitative approach was deemed appropriate for the primary collection in order to gain a more detailed understanding of the key issues.

The sample base comprised "owners" (hotel directors), "suppliers" (unit managers), "buyers" (corporate customers), "intermediaries" (booking agents) and "expert opinion" (consultants). Two hotel companies were selected from the top ten hotel chains operating within the UK market. Both hotel companies participate in the NOP survey, have a strong brand image and target the business traveller at the upper and middle levels of the market. Company A has a good distribution of 3 to 5 star products throughout the country but slightly more concentrated in the North. Company B is the sole operator of a leading American brand in the UK. The lower (budget) end of the market was perceived to operate in a different way to the rest and therefore not include in the study.

The initial stages of the study comprised a series of interviews with senior directors from the participating hotel companies in order to gain a general understanding of their interpretation of
relationship marketing. A more detailed examination of hotel suppliers followed where four discussion groups were held with sales and operational management at unit level. Data were collected on customer opinions through two discussion groups with corporate buyers who chose to purchase the majority of their hotel products directly from the supplier. Homogeneity was established by conducting separate groups according to gender and status. Finally, in-depth interviews were conducted with personnel from one of the largest business travel intermediaries operating in the UK and with directors of two leading consultants to provide an "expert opinion".

All interviews and group discussions were conducted, taped, transcribed and analysed within a structured format according to the recommendations of marketing research specialists (Chisnall 1986; Pararsuraman 1991).

RESEARCH FINDINGS

The research findings are presented in the form of themes related to the objectives of the study. Where appropriate primary data are supported by secondary sources. In order to set the scene several questions were asked relating to the types of products purchased and whether there were any purchasing restraints.

All respondents confirmed that the market comprised hotel accommodation, conferences, training courses, and special events such as private dinners and banquets. On all occasions bookings could be made direct or through a specialist intermediary, although local special events and banquets tended to be booked direct. Price, location and suitability of the facilities were key criteria mentioned by all respondents. All respondents confirmed that the majority of business travellers are restrained by some form of corporate directive as to how much can be spent and the minimum level of quality
acceptable. The 1993 NOP Hotel Guest Survey confirmed that 68-70% of UK business travellers either have no choice or are restricted in their business travel.

As most of the key hotel operators are targeting the same customer base in an increasingly competitive market, discounting and incentive schemes have become the expected norm. Traditionally one of the most common tools used to attract and maintain corporate business was the premise that the buyer was getting a better deal with one supplier than another. These data were assessed on volume of business and although negotiated nationally were often discounted further locally where volumes were highest.

Discount for volume was therefore a key issue and believed by the respondents to be one reason why companies might turn to intermediaries to negotiate on their behalf. However the supply managers were concerned that agencies in turn expect a commission on the rate quoted, thus reducing revenue to the hotel even further. Both supply companies had recently addressed this issue with Company A introducing a series of corporate price bands depending on the location and quality of the hotel, and Company B introducing a pricing structure similar to that of the airlines, the earlier you book the greater the discount. In both cases hotel suppliers were encouraging customers to inform them well in advance of their requirements in order to get the most appropriate deal.

THEME ONE

What is meant by relationship marketing?

Explanations varied but there was a general consensus that is was associated with attracting and retaining customers, understanding their needs and delivering an appropriate product. How that was implemented varied.
Hotel owners

Hotel owners differentiated relationships with customers to those with other organisations. With customers it was important to measure the success of the relationship and reference was made to their customer retention and frequent guest programmes. Consumer usage and awareness of these programmes are also monitored by the annual NOP Hotel Guest Survey. There was some indication that this preoccupation with incentive programmes by hotel owners came from the hotel management culture of success being measured as increase in sales and therefore profit. Incentive schemes provide a quantitative way of monitoring this. The annual NOP survey was considered by all parties to provide an accurate account and in the case of Company A their main source of customer opinion.

With regard to other organisations, emphasis was placed on having good strategic alliances with product suppliers like airlines and car rental firms operating in the same market, so enabling the customer to be offered a coherent package. Company A placed emphasis on working with other international hotel chains enabling access to international markets. Both recognised the need for technology in order to track frequent guests and provide fast accessible means of booking accommodation, preferably without the need of intermediaries.

Suppliers and buyers

As one supplier surmised it:

"Customers prefer to go somewhere where they are recognised and made to feel welcome"

A great deal of emphasis was placed by both suppliers and buyers on the personalisation of the operation within the hotel. There was a consensus that customers liked to know that operational
personnel were stable and understood the customers' needs even if management changed. Confidence in the personnel, especially with conferences and banqueting was perceived as very important.

"If they leave you have to build up everything again"

Women buyers described the relationship as being rather like a family with buyer and seller working together as a team.

There was general frustration that the suppliers seemed unable to comprehend the pressure that buyers were under to keep costs down:

"We as an organisation are continually trying to absorb inflation and production costs so we don't impact on our customers.... if we can't sell the product then we will go out of business very quickly ......I found it difficult to get across to hotels, they don't seem to appreciate the point at all... if we go out of business....the hotel won't have us as a customer...and a very good customer we are at this point in time."

Equally suppliers expressed a deep grievance that buyers always wanted the cheapest deal often threatening to end the relationship by taking business away. There was evidence that buyers expected to be rewarded for their loyalty with either a better rate or "something for nothing".

Other important criteria were relationships between the organisation and the hotel company not related to actual hotel bookings, for example the Confederation of British Industry tended to use Company A because they were members of the CBI. This came out again with the male group where one participant worked for a company that also happened to supply the hotel companies he used, therefore a reciprocal relationship had developed.
To conclude not only repeat guest satisfaction but strategic alliances and a good fit in terms of company culture, personnel and image were considered important. This was particularly apropos with the intermediary who would not deal with certain organisations unless a customer specifically instructed them to do so. The argument was that their poor quality and image might reflect on them.

Ethics and business practices were also mentioned with a general agreement that bribery was unacceptable. However there was evidence that suppliers believed that customers often accepted and were appreciative of a gift, whether it was free membership of the leisure club or a bottle of champagne in their room.

THEME TWO

How are relationships built?

All respondents confirmed that the process adopted was determined by the nature of the product. For large bookings the final decision was usually made at board level. Accommodation tended to be booked through an intermediary ranging from a personal secretary to the company travel manager or in-plant. If an organisation had no direct knowledge of hotels within a region agencies tended to be used. Special occasions and banqueting were usually arranged locally.

There was consensus between all respondents that the role of supplier and channel intermediary had changed although there was disparity as to how. Suppliers had observed a greater increase by companies in the use of intermediaries. Reasons given were that an intermediary would get a better rate. They expressed frustration at not being able to deal directly with decision makers and rarely ever with the end user prior to consumption.

The suppliers and buyers however agreed that a better rate could be negotiated directly because no commission was involved.
Suppliers expressed concern at the perceived power of the intermediary in terms of buying power and customer influence. Indeed Company A had recently been blacklisted by one intermediary for not paying premium commission rates. Directors at Company B seemed unconcerned, believing that the role of the travel agent would decline with the increase of the Internet and accessibility by "the man on the street" to booking systems previously only used by specialists. This view was confirmed by both consultants who see the role of the travel agent as having peaked and about to go into serious decline. Interestingly the intermediary confirmed this, admitting that whilst airline travel earned high commissions hotel accommodation was expensive to book and a very low revenue generator. Indeed many intermediaries only book accommodation as a service to their key clients, others decline altogether.

Intermediaries through their customer database had recognised a potential opportunity when they realised that they knew more about what organisations spent in terms of travel than they did themselves. Offering their services in the form of a travel "consultancy" many large companies now have their own in-plant to manage all travel arrangements within a given budget.

Technology was perceived to be the driving force for purchasing in the future. Whilst corporate customers and hotel suppliers dealing directly with each other on a local basis were satisfied with building personal relationships, all suppliers and intermediaries recognised the power of technology in terms of the information it could provide.
The Negotiation Process

This generated the most discussion from all participants.

Hotel owners

Hotel owners were concerned with managing the revenue from accommodation sales and rationalising where possible discounted rates offered (an individual hotel could have as many as 60 or 70 discounted agreements with corporate customers). Emphasis was therefore place on the need for information on frequent usage and rate prepared to pay.

Traditionally many companies were unaware of exactly how much business was being placed in individual hotels and therefore negotiation and discounting were conducted in an atmosphere of trust that what the customer was saying their business was worth was true.

There was a general suspicion as to the real power of the intermediaries. In the past they had held out for higher and higher commissions and blacklisted hotel suppliers that did not pay. One director cited the example of Delta airlines who recently announced that the would only pay a base commission of $25 dollars to their North American agents regardless of the cost of the flight. The agencies retaliated by block booking airline seats and then cancelling them, thus creating a significant shortfall in sales. The consensus was that a way must be sought to build relationships directly with the buyer through making booking easier and thus eliminating the need and therefore the power of the intermediary.

Suppliers and buyers

The negotiation process tended to take the form of, new product/new supplier; same product/new supplier; new product/ same supplier or same product/same supplier renegotiated on an annual or biannual basis. For the purposes of this paper the latter two will be considered.
Initial impressions counted a great deal with buyers whether it was a new or repeat purchase:

"that really sells it for me, from the very first time you pick up the phone, however it is answered, you get a feeling about a place, don't you, straightaway, with the staff"

There was evidence of considerable frustration on behalf of the buyers regarding quoted rates by suppliers. Hotels, even within the same group were competing for the same business yet the rates quoted varied depending on who was spoken to. Not all participants in the negotiation process had the same autonomy and so had to refer to another party. Then if business was taken elsewhere they suddenly got a call and a better deal was offered. As one buyer put it:

"Now I don't think that I am doing well when that happens. I think why the hell didn't the hotel come in with something competitive and save me all this hassle?"

There was consensus amongst the male buyers that where possible they would prefer to deal regionally and be able to get the best deal. Constant negotiation was considered time consuming and left the buyer with a conviction that they did not strike the best deal. This in turn often developed into a feeling of mistrust of the supplier and conviction that things were going to go wrong. This feeling of mistrust was amplified by the tendency of supplier to charge for little extras like equipment.

"Why can they not just charge me one rate for everything. If they charge me extra for things I get into trouble with my own company for not budgeting properly".
The women perceived themselves as better at negotiation because of their patience and attention to detail. There was a consensus amongst the buyers that they enjoyed the negotiation process. One example was given where a rate was negotiated down by 50% and the hotel agreed:

"I was thrilled, I've been back three times since then"

Interestingly both women buyers and suppliers in all groups referred to negotiation as "a bartering system".

"I do it with all hotels...Its a bit cheeky really....We just like to see how much we can get out of them".

This emphasis on the buyer believing that they had got a good deal was well understood by the suppliers as one confirmed:

"I can spend a whole day negotiating with a customer on as little as a 50p increase on a rate"

However it was conceded that times were changing and the buyer did not always pull out if the rate was not reduced.

"They try to push you as far as they can, really testing you, but sometimes they are just calling your bluff"
THEME THREE

Can relationships be sustained?

Respondents were asked what they thought were important criteria in sustaining a relationship between buyers and suppliers.

Training

Training was perceived as very important by buyers and suppliers. Buyers expected to deal with someone with autonomy and good negotiation skills. The fact that Company A were heavily involved in the "Investment in People" programme and Company B had a Total Quality Management system in operation since 1989 were perceived to be important attributes in decision making. Of Company A it was said:

"good training, they know how to negotiate, nothing is a bother to them"

Customer care

In any business relationship how the customer is treated after the sale is paramount to the building of a long-term successful relationship. Respondents were asked to give examples of good and bad customer care and how it was implemented.

An example of how the simplest things can destroy the relationship between buyer and seller was given by one participant. It involved a very prestigious hotel that she was considering for conferences, because of pressure from her own customers, but that she did not personally rate. She had used them occasionally in the past when pressured, but refused to consider them for the most prestigious annual event, even though they were rated as the top quality in the area. She gave examples from one visit where there were a series of incidents ranging from evidence of last nights
crumbs on the floor at breakfast, lipstick on coffee cups, the overhead projector breaking down and
the general reluctance by the front office personnel to arrange for some photocopying. When it did
come it was an hour late and the hotel charged a fortune. The price charged was not the contention,
it was the reluctance to help. When the sales manager phoned the next day to see how things had
gone, she conveyed that they were no better than in the last six years and:

"No they would not get the banquet because she would not trust them with an event
worth over £20,000."

Trust
Trust was the key criteria, derived from the belief that the rate negotiated was the best available, to
the understanding of the customers' needs, to a willingness to help and even the presentation of the
final invoice. Suppliers suggested that a significant amount of time was spent in presenting
customised invoices for the benefit of the buyer. Finally a follow up call was expected and
appreciated by the buyer, as was the general manager saying "hello" during the event.

"It is nice to know that they are still taking an interest in us even when they have got
the sale".

Brand association
On the issue of brand awareness hotel operators, suppliers, intermediaries and consultants agreed that
branding was the way forward. With the increasing globalisation of business and the need to travel,
affiliation and in turn relationships will evolve with the brand rather than a particular hotel. The
small hotel operator will still be able to maintain a relationship with their customer base through a
personalised database and the stability of ownership and personnel. This luxury is not available to
the large international chain. The brand holds the key to satisfying customer expectations not through
incentive and loyalty programmes but through consistent quality and reliability in their products and
services. The buyer wanted the personal service yet also required a multiple booking service that is
accessible and flexible enough for their needs. A branded hotel chain with a portfolio of products
positioned within clear pricing ranges can provide that.

THEME FOUR AND CONCLUSIONS

Does the hotel industry practice relationship marketing?

The aim of this paper was to identify the degree that relationship marketing has been adopted by the
hotel industry. Evidence from the literature review, secondary data and primary data collected would
indicate that relationship marketing was still perceived to be associated with successful frequent guest
or incentive programmes. However, what the programmes did was allow operations management
more control over the individual guest in terms of monitoring their product consumption.

Two key issues evolved from the primary study, which would indicate that business relationships have
not successfully developed within this sector.

Firstly, the relationship between hotels and their intermediaries ranged from tolerable, where bookings
were made and commissions paid, to a situation of retaliation with suppliers being blacklisted for not
conforming to the demands of the intermediary. Suppliers still perceived the intermediary as the
power base because of the volume of business they currently provided but resented the additional costs
involved. Equally, intermediaries seemed reluctant to deal with hotels because of the low revenue
and high administration costs involved. The working relationship seemed to be purely operations
driven, concentrating on keeping costs down and maximising revenue.
The supplier/buyer relationship again reflected a traditionally operational relationship with cost effectiveness and quality of service being critical attributes. Trust was the only relational attribute to be mentioned by the buyers and this was closely associated with service delivery. Understanding of the customer and their needs was limited with evidence of clear frustration on behalf of the buyers that hotel companies did not seem to operate as their own organisations did. As companies have developed their own customer relationship skills they expect it of their own suppliers. Quality implementations such as Investors in People and TQM were recognised and appreciated by the buyers but again were operational rather than marketing driven.

To conclude, although the hotel industry would appear to have all the right criteria for the implementation of relationship marketing there was little evidence of understanding or implementation from this study. There was some evidence of strategic change within the market with some companies either starting to re-branding their product portfolios according to the customers being targeted and the development of pricing structures according to the customers needs rather than being product driven. However, it will take a change in management attitudes to implement a more behavioural approach to understanding the customer.
REFERENCES


FOOTNOTES:

1. The National Opinion Poll Hotel Guest Survey is conducted annually with participating UK hotel groups and their customers. The business sample in 1993 comprised 501 business travellers with 20% from the upper, 40% middle and 20% lower/budget markets.

2. An in-plant is a travel agency providing an exclusive service travel on site to organisations.