

# Managing Customer



## Relationships

**A guide to help you identify a range of areas to address in order to get the most from your relationships with your customers**

Managing customer relationships should be seen as a priority activity focused upon aligning all aspects of the relationship with your customers in a way that delivers true competitive advantage for the business.

# Managing Customer Relationships

This guide is intended to identify a range of areas to address in order to get the most from your relationships with your customers. It is less concerned with operational aspects of customer relationship management but more with ensuring that you take the right strategic decisions to position your business as a leader in terms of how it interacts with customers. This guide covers the following content:

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# 1. Introduction

As the marketplace continues to grow in complexity, characterised by low growth

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rates, changing consumer demands and with an uncertain economic outlook, the

competitive environment for all tourism enterprises has rarely been more challenging. In such circumstances, the issue of managing customer relationships assumes even greater importance and is now firmly established as a priority strategic concern for all senior managers in the industry.

In this context, managing customer relationships should be seen as a priority activity focused upon aligning all aspects of the relationship with your customers in a way that delivers true competitive advantage for the business. It involves all key processes that govern the customer relationship from understanding their needs to managing feedback.



# 2. Managing Customer Relationships

Every experienced manager knows the value of the customer to his or her business but sometimes the daily pressures of business life can detract from the emphasis required to truly guide operational service activities. This strategic focus begins when you develop your Vision and Mission statements, where you broadly sketch out what you are trying to achieve in terms of your customers; it is here that you set the tone and context for how customer relationships are to be managed within your business. These general commitments provide the foundation for all other actions you will take in this area but become even more meaningful when you convert those broad aspirations towards the customer into

concrete strategic goals. This process of goals setting is described in full in the [Leading your Organisation guide](#).

If you cannot at this point readily identify a range of customer-related goals for your business in areas such as market share, retention, satisfaction, and expenditure then you are likely lacking strategic focus because it is those goals which will ultimately guide your actions. That is not to say that you are not doing a good job of looking after you customers, but it does mean you can do even more. As with any goals, strategies must then be defined and plans executed to realise them and the following priority areas need attention in that regard:



The purpose of the guide is to review these issues from a strategic perspective, and through a series of short reflection exercises, to provide you with some insights into how you might build upon what you are already doing in each of these areas.

## 2.1 Know your Customers

Nobody would argue with the need to be close to your customers, but at a strategic level this is concerned with a number of important issues:

- ❑ Profiling your key customer segments and creating platforms and tools which allow you to identify their needs and expectations.
- ❑ Capturing this knowledge into a customer database so it can be used across the business.

You likely do some or all of this already, but below are some additional considerations on this issue.

### 2.1.1 Customer Profiling

Identifying your key customer segments and profiling the typical customers within those segments can help you to identify their specific needs and wants. This, in turn, will help you to make decisions about how to promote your business to them, as well as in defining any additional products and services you might offer them. In profiling your

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customers, you need to find answers to questions such as:

Where do they live, work and play?  
What income groups do they belong to?  
What do they read, listen to or watch?  
What are their lifestyle habits and preferences?

Taking time to define the characteristics of customers in your target market segments, and understanding how best to reach them can help you to identify knowledge gaps which can be bridged through accessing existing industry research on those segments, or by

conducting your own through platforms such as focus groups and surveys etc.

In addition to general customer profiles, you must also devise systems which allow you to capture and retain information from existing customers, be that before they arrive through the reservations process or during their stay. By doing so, you not only enhance the experience for them, but having the capacity to tailor the customer experience as closely as you can to individual needs is a proven driver of loyalty. Naturally, as you build up general and specific data about your customers you need some way of capturing and accessing that information over time.

Thankfully, modern technology greatly facilitates this task, but systems are only as good as their utilisation and many tourism businesses do not maximise the use of the technology available to them. For example, in a hotel context, it is a frequent complaint from customers that when they return to a property where they have stayed previously, sometimes multiple times, they are frequently asked 'have you stayed with us before?' during check-in, and certainly none of their likes and dislikes from the previous visits have been retained. Even the most basic of front office systems should allow you to flag repeat visitors and capture their likes and dislikes.

## Activity 1 – Review your current approach to knowing your customers

Consider the following questions to review your current approach to knowing your customers:

- ✓ What strategic priorities have been established for profiling and segmenting your customer base? What do you expect of these key activities in terms of helping to enhance service quality, or as regards the contribution they make to broader strategic goals?
- ✓ How extensively have you currently segmented your customer base? How well do you really understand the needs and expectations of customers within each segment?
  - What products and services appeal to which customer segments? How might you better tailor them for the different segments?
  - What customer segments deliver the most revenue and profit?
  - How might you tailor your promotions and communications to better address your customers' needs?
  - What do existing customers in those segments tell you about the experience you offer?
- ✓ How effective are you at capturing and using consumer data on your customers, both by segment and with regard to existing/repeat customers? Think of this from both marketing and service delivery perspectives? In other words do you tailor your marketing and service experience for different types of customers?
- ✓ If a customer stayed with you two months ago and had indicated a number of preferences during their stay, if they returned again this week, would those preferences be proactively met without the customer having to ask again?

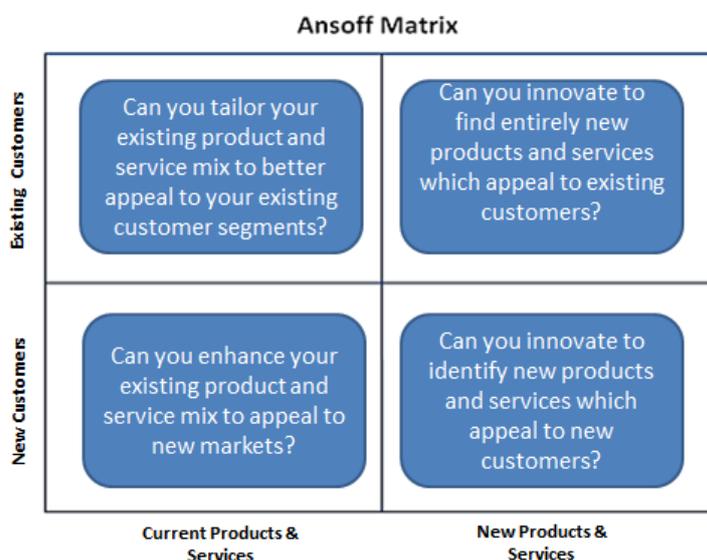
## 2.2 Encourage Product and Service Innovation

It will not be the first time that you have heard about the importance, especially in a tourism-related business, of placing your customers at the heart of your decision-making processes, but the issue here is not whether you know and understand that concept; instead, it's about whether that happens in a strategic way in your business.

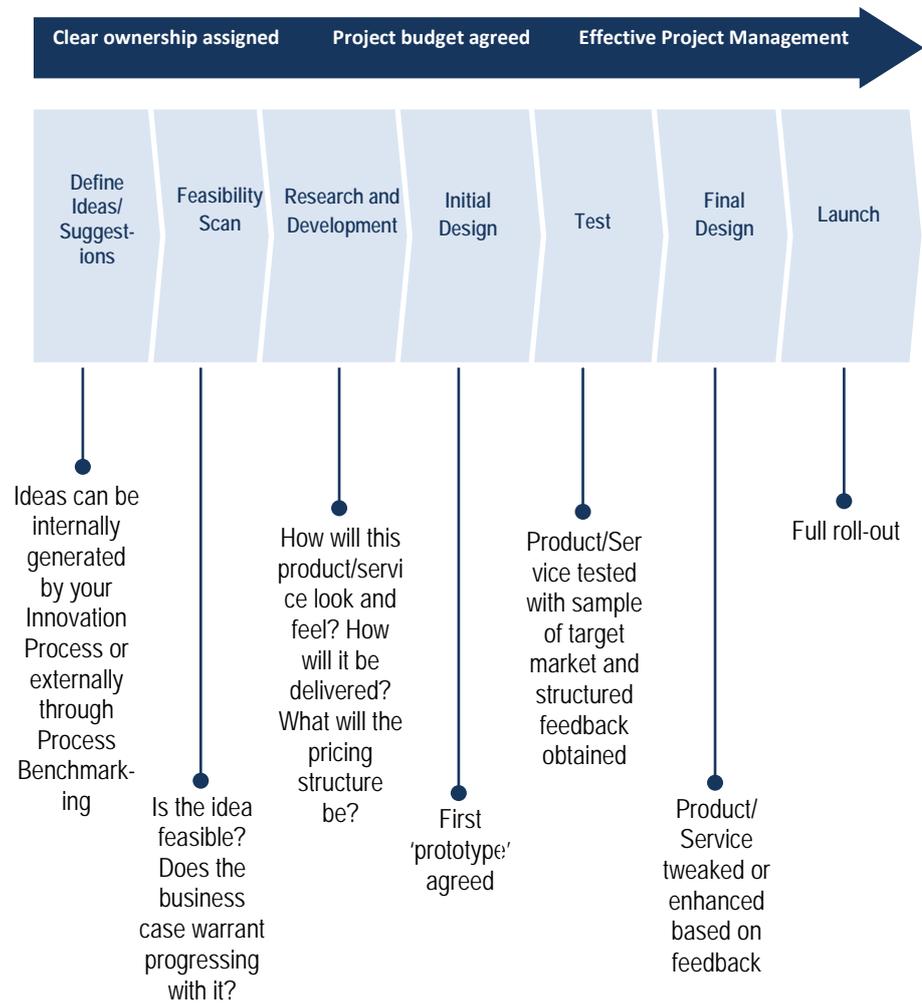
Although more relevant to marketing decision-making, the well-known Ansoff

Matrix can be tweaked slightly to help you to start thinking about general product and service development strategies.

Too often in tourism a one-size-fits-all approach is adopted to the product and service mix, but with the growth in demand for experiential-based offerings, it is no longer feasible not to at least tailor your products and services to the needs of your various customer segments.



As such, within the general product/service development strategies you define, you need to continuously come up with enhanced, and new, products and services and a simple pathway for managing that process is:



A separate guide on [Managing Innovation](#) is available at the Business Tools web page.

An important part in this process is ensuring that your ideas generation activities are continuously generating enhanced/new product and service design ideas and a separate guide on [Managing Innovation](#) is available at Business Tools.



## Activity 2 – Review how well you currently encourage product and service innovation

Consider the following questions to review your current approach in this area:

- ✓ What strategic priorities have been established for product and service innovation in your business? What do you expect of these key activities in terms of helping to attain your broader strategic goals?
- ✓ Do you have a clear product and service development strategy driving all product/service development activities? Who's involved in the process of pinpointing potential ideas? Who's evaluating the ideas generated?
- ✓ When an idea is approved, is there a clear roadmap in your business for developing and launching new products and services to include feasibility, planning, testing, launch and control? Is clear ownership and accountability assigned for each product/service development initiative? Are there defined milestones attached to all new development initiatives to ensure that they are brought through in a timely fashion? Are appropriate resources allocated to support the product and service development process?
- ✓ How many new products/services have you launched in the past year? What value have they added to your business?

## 2.3 Manage Quality Standards and Operational Efficiency

Many of the activities within quality management are of course an operational concern, but those activities cannot be wholly effective unless you set the strategic context for your drive for quality. A useful model to help you consider your strategic approach to quality management is to identify the key dimensions to be considered:

### Focus on the customer

Clearly, any quality management process must be customer-centric as stated earlier in the guide, you must do all in your power to really understand the needs and expectations of your customers - and specifically in this instance what they expect in terms of quality and value.



### Quality strategy

You create a strategic context for your quality management efforts by ensuring that you:

- ❑ Integrate a quality dimension into your Vision and Mission statements.
- ❑ Set strategic goals for what you wish to achieve in relation to quality.
- ❑ Devise and communicate a quality policy.
- ❑ Provide appropriate resources and ensure the necessary competences are in place to effectively manage quality within the business.

## Activity 3 – Review your current approach to managing quality standards

Consider the following questions to review your current approach to managing quality standards:

- ✓ What strategic priorities have been established for quality management in your business? What do you expect this activity to deliver in terms of supporting the achievement of your broader strategic goals?
- ✓ How have you set the strategic context for quality management in your business at present?
  - Is there a meaningful reference to quality in your Vision & Mission?
  - Have you defined and communicated strategic goals in relation to quality?
  - Have you prepared and communicated a quality policy?
  - Have you provided appropriate resources and ensured that the necessary competences are in place to effectively manage quality within the business?
- ✓ Think back over the past month, what practical steps have you taken to show leadership, specifically around the issue of quality within your business?
- ✓ Have you a comprehensive quality management system in place within the business? Is it fit-for-purpose in the sense that it is both user-friendly yet delivers on the expected outcomes? What specific quality targets have you established for those charged with implementation of the system? How pleased are you with its implementation and effectiveness at present? What's working well and what's not in relation to the system?
- ✓ What role are quality standards currently playing within the system? Have they been developed? More importantly are they being used on a daily basis, or are there manuals sitting in a back office somewhere? More importantly still, if they are being used, are they having the desired effect in terms of service consistency quality?
- ✓ How is the quality control element of the system provided for in your business? Do you conduct internal quality audits? What about external quality audits? What are the results of these audits telling you? What about feedback from customers, what are they telling you about quality within the service experience? What are you doing with all this control/feedback information?
- ✓ In general, is the quality system making a positive impact on business performance and on the bottom line?

Find a range of supports to help you drive operational efficiencies within your business at the [Business Tools](#) web page.

### Quality System

As with any other component of business strategy, quality aims and goals need to be executed on the ground and as such you must agree and lead the implementation of a company-wide quality management system; allocating ownership and roles and responsibilities as appropriate, setting targets, and providing the necessary resources to sustain the system. A separate guide on managing [Operational Standards of Performance](#) is available online at Business Tools.

### Quality Passion

Ultimately quality delivery is about

people and without real passion and commitment from everyone in your organisation then no matter how comprehensive the quality system you adopt, it will not deliver the required results. In this regard, you must lead by example and set the tone for what quality means to the business and, as part of that, identify ways to really engage all your people with the quality drive and to recognise and reward high performance in this area.

Finally, the issue of managing operational efficiency is of course very much linked to the quality agenda in that customers demand efficiency in terms of how products and services are delivered to them.

## 2.4 Implement a Service Recovery Process

Service recovery refers to the actions that a business takes in response to a service failure of some kind. In other words, it's how you fix things for the customer when they go wrong. It is not unusual for senior managers to consider this issue to be of concern primarily to operational managers and employees, and whilst they do recognise the importance of service recovery, senior managers can often feel that it needs little in the way of strategic decision-making to support it. This can be somewhat misleading when you consider the following:

### Impact on the costs of doing business

Service breakdowns have tangible costs attached and it is vital that you are aware of what they are, whether they are growing or declining annually and what impact complaints are having on customer loyalty and ultimately profitability.

There are also the hidden costs as a result of service failure, related to customer dissatisfaction and indeed research has shown that customers are often more upset by a company's failure to recover the situation than they are about the initial problem.

### How complaints are managed

Another issue here is how complaints are managed when they do arise and for this it is useful to consider the *Impact – Ownership* dynamic. For minor breakdowns with low negative impact you will want the employee nearest to the issue to be in a position to resolve it immediately with the minimum of fuss;

and for more serious issues with potentially high impact you want members of your management team to be involved.

This all sounds very well in theory, but you will likely know that the reality in many tourism businesses is that when an employee hears a customer say the word 'complaint', often their first response is to get the manager, which has issues about management productivity if they are continuously called to deal with minor issues.

So, although service recovery might not seem like a strategic concern, it is, as it has wider issues in relation to empowering employees, cost management/profitability, customer satisfaction and loyalty, building customer relationship, and so on – and is therefore a strategic concern. Sure, it may not be something you are actively involved with day to day, but you must ensure that the service recovery model implemented in your business is supporting the wider achievement of strategic goals.



## Activity 4 – Review your current approach to Service Recovery

Consider the following questions to review your current approach to service recovery:

- ✓ Have you considered the strategic implications of the service recovery process in terms of the wider quality agenda and with regard to issues such as employee empowerment and management productivity?
- ✓ If asked, could you identify what the volume of complaints in the business was last year, and what they cost your business in total? Was that more or less than the previous period?
- ✓ Is there a defined service recovery model in place which:
  - Manages the complaint at the appropriate level, based on the impact-ownership dynamic?
  - Empowers your employees to the greatest extent, but provides clear guidelines as to what they can and cannot do?
  - Leads to a recording and classification of complaints, with appropriate costs identified, so that you can analyse the nature, frequency and cost of complaints across the business?
  - Triggers immediate solutions to recover the situation and where appropriate leads to further action at a more senior level if necessary?
- ✓ How are complaints currently analysed at a senior management level so that trends can be identified and improvement initiatives launched where necessary?
- ✓ What are your customers telling you about your current service recovery model?

## 2.5 Provide On-Going Service Training

In relation to ongoing service training, it is again not unusual for senior managers to take a relatively hands-off approach here, leaving it to their HR manager or similar to plan and manage, and there's nothing necessarily wrong with that. However, as with the wider training and development agenda, you should pay more attention to this area by asking the key question: how does service training help us execute our strategies and realise our goals? By shifting the focus to this type of analysis, you begin to explore how the service training offered is really contributing to the business. For example, clearly maximising sales across the business will be an important concern for you,

but do you actually know what is currently covered on topics such as upselling during any service training provided in your business, and how well is it covered? What about the issue of getting closer to your customers, a key strategic concern, how is this issue addressed as part of service training? Are your people being trained to identify and capture customer preferences?

It is not intended here to send out a message that you need to be directly involved in the management of service training, but maybe you need to think more about its content and delivery to ensure it is really contributing to helping deliver on the broader business goals.

## Activity 5 – Review your current approach to Service Training

Consider the following questions to review your current approach to service training:

- ✓ What strategic priorities have been established for service training in your business? What do you expect of it in terms of helping to achieve those priorities and with regard to the wider process of learning and development?
- ✓ How effectively is service training planned and delivered in your business at present in terms of meeting those priorities? How is training budgeted for annually? Is the same programme delivered over and over again, or is the content tailored to reflect shifting priorities? How is the programme designed in order to appeal to new and experienced staff?
- ✓ How are the service training needs identified at present in your business? What formal analysis is undertaken to determine those needs?
- ✓ How do you currently measure the impact and value of service training and development to your business?

## 2.6 Manage Customer Relationships and Reward Loyalty

Customer Relationship Management, or CRM, is a company-wide process designed to increase profitability by building customer loyalty and retention. It is a broad activity and in fact everything covered in this guide impacts on it in some way, but the specific focus in this section is about how well your business manages customer information as a tool to maximise the value of your relationships with customers.

Although, the focus on CRM is usually about a technological solution there are actually three key elements to consider here: people, process, and technology. On the people side, you need to consider how passionate your people are about building customer relationships and how willing (and capable) they are to identify, retain and share information about customers in a

discreet and effective way. From a process point of view you need to reflect upon how all the information from various sources can be pooled and centralised so that it is of value, and that of course leads to the technological solution you have in place to facilitate the management and application of customer knowledge for the benefit of the business. As part of your efforts here you also need to consider the issue of loyalty schemes which show your customers that you really do appreciate and value their business.

Making CRM happen to the level required so that it delivers real and lasting competitive advantage therefore requires strategic decision-making, not least concerning any resources required to develop the technological solutions to underpin CRM activities.

### Activity 6 – Review your current approach to managing customer relationships and rewarding loyalty

**Consider the following questions to review your current approach to employee communication:**

- ✓ What strategic priorities have been established for CRM in your business? What do you expect of it in terms of helping to realise those priorities? Do you currently have a CRM strategy in your business with clear plans in place to execute it?
- ✓ Do you have appropriate CRM processes which allow you to gather and collate customer information from a variety of sources? Do those processes help you to better engage with your customers, using a variety of channels? Is information gathered but later lost due to the lack of an effective data management process? Is there a lot of customer knowledge in employees' heads which might one day exit the business with them?
- ✓ What technological solutions are you currently using for CRM? Can all customer-facing departments use the system, including marketing, sales, and operational departments? Does it provide real-time information which employees can use to enhance their interactions with customers?
- ✓ Does your existing approach to CRM allow you to determine:
  - What your customer retention rate is?
  - Why you lose customers?
  - Why you win new customers' business?
  - What your costs for acquiring a new customer are?
  - What the cost of losing a customer is, in revenue and profit?
  - How much profit your company makes from an existing customer as opposed to a new customer?

## 2.7 Capture and Analyse Customer Feedback

Collecting customer feedback requires inputs such as time, effort, systems and resources and many companies either don't commit enough of the inputs required, or waste those inputs because they do little with the feedback information they receive. From a strategic perspective, gathering customer feedback is part of the wider continuous improvement and learning process and also provides data for operational functions such as sales, reservations, product and service management and these processes can be made more effective, efficient and customer centric through feedback.

As with any other vital business process

you need to define the goals for your customer feedback system and establish the parameters for the type of feedback you wish to collect and how you want to collect it. Some tourism enterprises treat this as a box-ticking exercise and lull themselves into a false sense of security that as they have, for example, customer comment cards then they are measuring feedback. An effective feedback system must be multi-faceted in nature, and whilst comment cards may form part of it, there will be many other channels involved for gathering feedback. Of course, customer feedback collection is of little value on its own and its real value comes from how you then analyse, disseminate and then action it.

### Activity 7 – Review your current approach to Capturing and Analysing Customer Feedback

Consider the following questions to review your current approach to Capturing and Analysing Customer Feedback:

- ✓ What strategic priorities have been established for capturing and analysing feedback in your business? What do you expect of it in terms of helping to drive business improvements?
- ✓ How committed do you believe your management team and employees are to gathering and analysing feedback from your customers?
- ✓ Are your existing efforts at gathering customer feedback based on an integrated, systematic approach or is it somewhat ad hoc? Does the current approach utilise a range of feedback tools such as comment cards, surveys, interviews, focus groups and so on which are interlinked and compatible in terms of design and purpose?
- ✓ Under your existing approach, is the primary focus on collecting data or on how to manage and act on the data gathered?
- ✓ What proportion of your overall customer base do you get feedback from in any given year? What about in each of your key customer segments?
- ✓ How is feedback currently used as an input for continuous improvement of key internal processes such as food and beverage service, accommodation, reception etc.?
- ✓ As an example of the effectiveness of your feedback system, what direct business improvements made over the past three months can you directly trace back to having originated from customer feedback?

## 3. Conclusion

The purpose of this guide was to highlight some of the priority factors that you must consider from a strategic perspective when managing customer relations in your business. The reflection activities will hopefully have indicated specific areas where you might need to strengthen, or revise your existing approach and doing so is always worthwhile because any improvements - no matter how minor - you make in the various themes addressed here will have a positive impact on business performance.



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