

The Importance of 'Customer Experience' in a Downturn - By Jeff Gurtman, Account Director, LRA Worldwide, Inc.  
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As talk of a recession permeates the evening news, at LRA we have naturally begun thinking about how it might affect our clients and the industries we serve, primarily the hospitality industry.

When economic troubles loom, we've found the usual knee-jerk reaction is to sacrifice programs associated with quality and the customer experience - training, quality assurance and mystery shopping programs, guest research, etc. The benefits of a quality assurance program are compelling and easily communicated when businesses are flush with cash. But what happens when storm clouds are on the horizon? How does one compel businesses to invest in initiatives that are often thought of as a 'nice to have?' What we've found is that during an economic downturn, maintaining a quality assurance program and the differentiated customer experience that it helps provide is the most important insurance to have.

When ADR and RevPAR are near historic highs, convincing a hotel company that a quality assurance or mystery shopping program can increase profitability is simple. Correlating the bottom line to guest satisfaction or 'delight' is fairly straightforward. In leaner times, as hotels and other businesses that utilize mystery shopping on a regular basis become more cost conscious, their QA programs are amongst the first items to get cut. Although these businesses often recognize the benefits of quality assurance, they are convinced that eliminating QA is justifiable as they attempt to reduce costs...and perhaps lower prices.

That's right, a typical first defense may be to cut prices. According to Nick Wreden, author of *Fusion Branding: Strategic Branding for the Customer Economy*:

When times are good, pricing sins can be easily forgiven. But when the economy sours, a misguided pricing strategy can shrink profitability, warp customer relationships, and destroy a brand...1

Simply put, when the economy rebounds, businesses that slashed prices may find it difficult to garner the same pre-recession prices they once demanded and undo any damage the discounting pricing strategy caused their brand.

Therefore, businesses often look to make reductions on the cost side of the equation. This is a delicate exercise and requires businesses to have an accurate sense of their customer's tolerance to change. Most businesses operate as a network of many concurrent operations working in harmony to achieve a common goal, and this is certainly true in hospitality. In the case of a hotel, the doorman, room attendant and the room service cook that makes a hamburger at 2 AM all have their individual responsibilities and tasks. Viewed from a more holistic perspective, they are all working together to make a guest's stay pleasant and enjoyable. In a recession, the hotel may experiment with reducing the hours that room service operates to cut labor costs. The common goal remains constant - make the guest happy - but during harder economic times, controlling costs becomes paramount. What happens to that guest who is unable to get a hamburger at 2 AM? Are they still going to be happy with their stay? Is the goal of the hotel still achieved? Maybe...but maybe not. This is where mystery shopping and quality assurance can help hone in on the non-negotiables of the guest experience...and how well they're being delivered.

As cost conscious controllers tighten the purse strings, quality assurance becomes an invaluable data stream whereby decision makers can identify areas for potential cost cutting and procedural streamlining and immediately test whether those changes have a discernable impact on the guest experience. As in the case presented above, that hotel manager can test what services can be streamlined without jeopardizing the guest's enjoyment or satisfaction. Maybe that guest is just as happy selecting a snack from a display at check-in. Mystery shopping allows businesses to make more informed decisions incorporating live data from the customer's perspective.

The adage that satisfied customers will tell an average of five people about their positive experience and conversely, dissatisfied customers will tell an average of ten people about their bad experience holds even more true during a recession. As customers have less disposable income, their vacation, dining and general purchasing decisions become more contemplative. When they do spend money, customers have less tolerance for a flawed experience and will broadcast their discontent to their peers. At the same time, companies have less margin for error - if the overall pool of disposable income is shrinking, you better invest more to hold on to your share to weather the rough times. Utilizing data collected from a quality assurance program can help businesses ensure that a positive customer experience is retaining customers, and perhaps even gaining a few from competitors who have invested less prudently during the downturn.

In addition, mystery shopping can enable companies to quickly uncover misalignments between corporate policy and execution of that policy, allowing for early correction. When those policies are directly related to finances, a specially-designed mystery shopping program can identify a drain on resources and immediately mitigate damages. Cash integrity audits at bars or restaurants or sales process evaluations are great examples of cost-centric mystery shops that can yield immediate savings or drive incremental sales.

During tough times, businesses seek ways to improve productivity and cut costs. Ultimately, a recession helps good companies become better. Stopping a quality assurance program during a recession simply does not make good economic sense. If anything, companies need more data to ensure that they are nimble and able to respond to their guests' changing needs to keep up with the marketplace. Through quality assurance initiatives, businesses can ensure that they have a consistent and accurate read on the pulse of their business, allowing them to make wiser decisions for their customers and the

long-term health of their business.

You can visit the LRA website at [www.lraworldwide.com](http://www.lraworldwide.com) or questions for Jeff Gurtman can be delivered via email to [jeff.gurtman@lraworldwide.com](mailto:jeff.gurtman@lraworldwide.com).

*1 "How to Think About Pricing Strategies in a Downturn," Harvard Management Update, Vol. 7, No. 3, March 2002*

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