Winning Customer Loyalty via Personalization

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How Mandarin Hotel Implements Its Unique Customer Loyalty Strategy

By Joe Mullich

Since the economic downturn, executives have heightened their focus on customer loyalty, looking for new ways to retain and draw additional value from their existing customer base.

The Mandarin Hotel Group, which operates 42 luxury hotels with more than 10,000 rooms in 27 countries, does not believe in customer loyalty programs, though. Instead, the Group has achieved success with a culture of personalized customer service built atop a mountain of clean, actionable data.

"Clean data is the core of what we do," says Nick Price, the Group's Chief Information Officer. "It lets us know who our guests are and know their likes and dislikes, which we use with effect to deliver personalized customer service."

The Group has a long list of awards for outstanding service and quality management in its deluxe hotels around the world, from London and New York to San Francisco and Singapore.

Every time a guest interacts with any of the Group's hotels-whether through a room reservation, the beverage service, the spa, or a retail experience-that information is "captured, cleaned, merged, and matched" in real time in the Group's information system, dubbed Global Guests.

Global Guests leverages a well-known marketing technique called RFM (recency, frequency, monetary) analysis, which determines how recently a customer has purchased, how often they purchase, and how much the customer spends. The system has collected information on 4.5 million unique guests.

What makes this system noteworthy is the way data is collected, shared, and turned into service that meets guests' needs and reflects the rare qualities of the Group's varied hotels around the world. Data collection comes from three sources:

- Information the guests willingly provide about their likes and dislikes.
- Preferences the hotel discerns from guests' actions, such as the room temperature they set.
- Information the hotel staff gathers from guests to improve their stay.

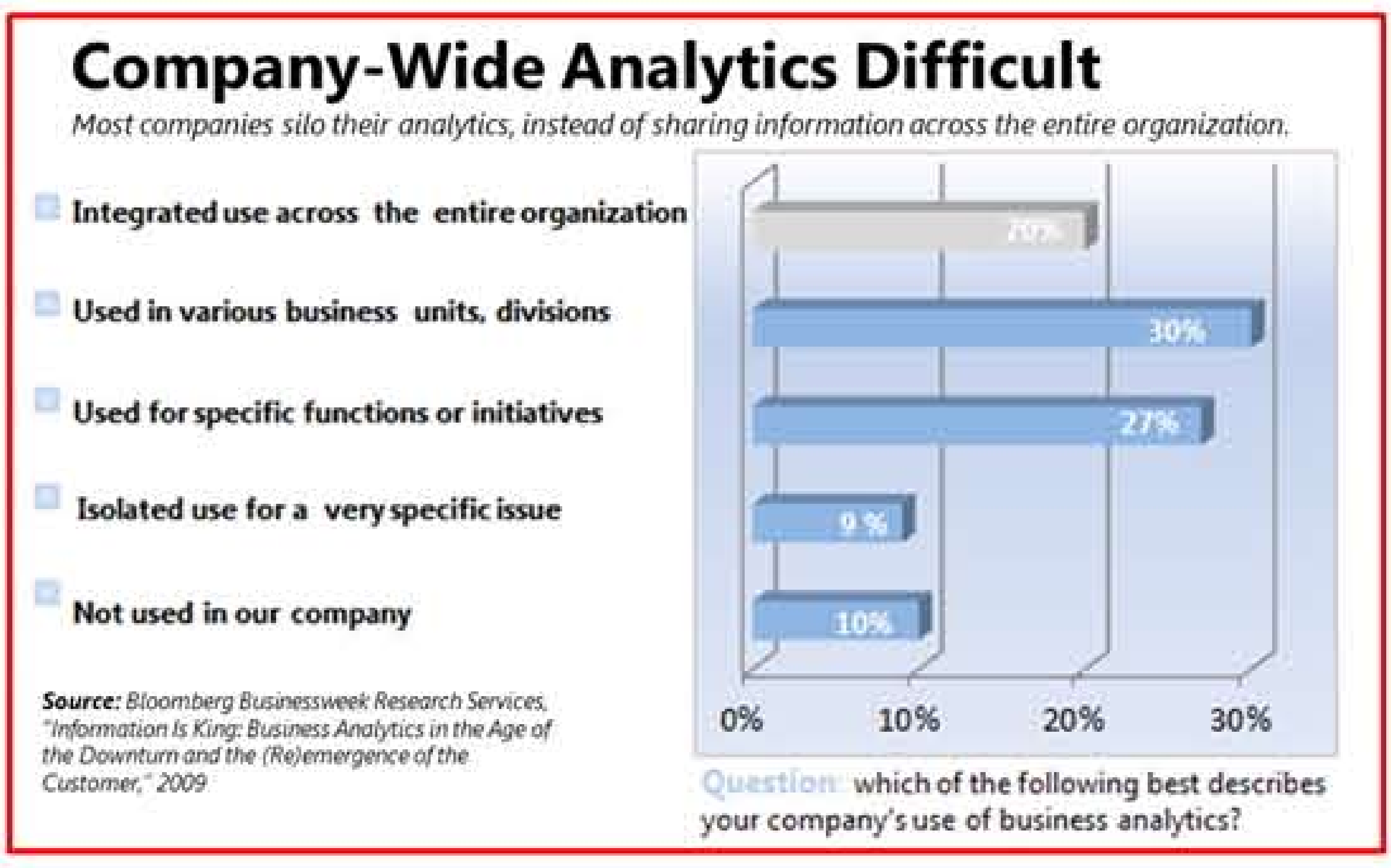
For example: "The housekeeper might have a conversation with a guest, where she says, 'I've noticed you never eat the green apples, only the red ones,' and takes notes," Price says. The Global Guests system collects this information and has it available to hotel staff anywhere in the world when that guest checks in. "Our job is to deliver those [details] in context and automatically at the hotel," Price says.

To that end, if a guest's past stays indicate he prefers a certain temperature, his room will be at that temperature when he arrives. Beyond that, if a French national comes to a New York hotel, the temperature will be depicted in the room in the familiar Celsius rather than Fahrenheit. And when he turns on the television, the first 10 channels listed will be the same French channels he favored on his last visit to the Group's European hotels.

Based on the guest's VIP rating, he will receive "certain contextual benefits," Price says. "But they will not be the same amenities, the same fruit basket or champagne, at each of the hotels." The hotel in New York, for example, will select a comparable but different item than the hotel in Beijing, Price says, "because the guest will want something [that reflects] that city."

This personalized attention can only be achieved with precise, current information that is applied across the organization. "If we don't have clean and accurate data, nothing else works," Price says.

In a 2009 Bloomberg Businessweek Research Services study, only one in five C-level executives reported that the use of business analytics is integrated across their entire organization. And more than three-quarters of the responding executives cited "variable data quality, integrity, and consistency" as a stumbling block to organization-wide implementation of business analytics.



Wayne Eckerson, until recently the director of Research at The Data Warehousing Institute, says 80 percent of the time and cost in business intelligence systems is pulling the data together. "Probably the hardest part of data is the political side," he says. "Getting the business-especially across department and business units-to agree on common terms and definitions for key metrics and entities that companies use. Even something as simple as 'What is a customer?' can be very a politically charged issue."

The Mandarin Hotel Group addresses these challenges with a systematic approach to data that includes both automated and manual techniques. The first step is basic data cleansing, including standardization and validation. The next step, matching data-which brings "human eyeballs on the job"-points to the problem of common definitions, in addition to the special issues of dealing with people from many cultures.

Consider the common Chinese name "Wong," which is equivalent to the name "Smith" in the United States. An American would expect Mr. Smith to call himself Mr. Smith anywhere in the world. Not so with "Mr. Wong," which is simply an abstraction of the actual Chinese word. So a Chinese traveler might sign his name "Wong" in Mandarin's New York hotel, because that is the way his name is depicted in English. In the Singapore hotel, the same traveler might sign his name "Wang" or "Weng." In the Shanghai hotel, he could call himself "Huang."

To achieve that differentiation, the Mandarin Hotel Group uses a "global synonym" system to triangulate the best match of past activities to a particular guest. This approach lets the Group determine that, say, the amenities Mr. Wong wants in Chicago today are the same that Mr. Huang chose in Shanghai three months ago.

"The hospitality industry is about people being hospitable and giving a great experience at each hotel," Price says. "If a frequent guest at one hotel was going to another hotel, someone at the first hotel would call that hotel and let them know about the guest before he walked in the door. Doing this consistently well as a global brand is challenging."

For more insights about how the Mandarin Hotel chain increases customer loyalty, watch this video: