

# Deluxe hotel – millennium gloucester hotel essay



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BUSTER**

Millennium Gloucester Hotel has been rated as four-star deluxe and located in Kensington London, in the heart of central London. It is close to Victoria Station, High street Kensington, and Harrods. It is famous for its conference and banqueting services. These factors make the hotel an ideal destination for both leisure and business travelers.

It has 629 bedrooms with restaurants, bars and conference centres.

Millennium hotel has its own loyalty program which is called the Millennium PartnerCard. It can be made free of charge to any guest who has stayed in any Millennium hotel.

In contrast to Hilton or the Priority Club loyalty program, Millennium does not have different types of loyalty memberships.

The program itself, however, offers great value to members. ? Benefits of Partner Card: Member will get a complimentary welcome drink upon arrival at the hotel and complimentary daily newspaper delivered to the room.

Millennium has eight airline partner programs so that whenever members stay in the hotel they could get airline mileage with 3% rebates on total expenditures at Millennium Hotels worldwide. Millennium allows early check in and late check out to members.

When guests are traveling, they may arrive earlier than the check in time or leave later than the check out time depending on their flight schedule.

Moreover their frequent stay benefits get more varied and valuable for loyalty program members. (www. millenniumhotels. com) 6.

Benefits of a loyalty program According to Reichheld and Sasser (cited in Bowen and Chen, 2001), when the organizations maintain just five percent more of its customers, profits go up from 25 percent to 125 percent. Hence, retaining customers and promoting customer loyalty has a direct impact on profitability.

On the average, an improvement of 5 percent in customer retention may lead to significant profit increases between 25 and 85 percent in the net present value of the future flow of earnings (Christopher and Peck, 2003). Increasing profit from loyalty may further lead to reduced marketing and operational costs. For instance, in Hilton hotel, customer loyalty climbed from 48 percent to 53 percent, revenue index increased from 104 percent to 106 and customer retention increased 6 percent to 53 percent. The hotel also experienced a 3 percent higher profit margin than other service hotels after 2 years of implementing the loyalty system (www.

topix. net). In general, it costs organizations five to six times as much to attract a new customer as it does to implement retention strategies to hold existing ones (Lovelock and Wright cited in Barnett and Mcilroy, 2000).

Moreover, if the hotel spend less on getting new customers it can also be beneficial to employees. In other words, the hotel spends expense on employees rather than spending on marketing cost for getting new customers. The hotel may increase pay rate or give them a bonus pay etc.

Frederick Reichheld mentioned, " Increase pay helps boost employee morale and commitment" (Griffin, 2002).

This means that it can reduce employee turnover then productivity, rising productivity and less spending on training costs. Loyal customers tend to spend more than non-loyalty customers. Trust and awareness of the organizations might be the reason.

Raman (1999, cited in Bowen and Chen, 2001) discovered that loyal customers had higher food and beverage purchases than non-loyal customers. Once customers become loyal to a certain hotel, they are likely to share the information with friends or family through word-of-mouth.

According to McColl-Kennedy (2003), customers tend to get more realistic information from their friends and families who have already experienced the service or product; hence, it helps to reduce inconsistency between expectations and actual service. According to Silverman (2002), word of mouth is a thousand times as powerful as conventional marketing. Also Raman (1999, cited in Bowen and Chen, 2001) mentioned that “ loyal customers serve as a fantastic marketing force by providing recommendations and spreading positive word of mouth”.

In fact, most of the service organisations that developed customer loyalty to differentiate their service and products from competitors resulted in cost savings such as from marketing costs. Loyal customers may be the most important assets in the hotel industry. 7. The questionable element of loyalty  
There are also problems with the implementation of loyalty programs.

In today’s hotel sector, majority of hotels provide loyalty program in spite of class differences; from budget to luxury hotels. In general, it is quite

complicated and difficult to retain customers through loyalty systems due to the continuous growth of the competitive market.

Also, people's lifestyles are getting more sophisticated and customers' demands are changing rapidly each day. For instance, only few years ago, people did not expect to have wireless internet facilities but these days, it has become an important factor in choosing accommodation especially for business travelers. In order to satisfy customers, hotels should be updated on current customer needs and be able to meet their expectations in a loyalty program.

Although there are various benefits to be gained from developing loyalty system for both organisations and customers, there are certain disadvantages as well.

As it was mentioned earlier, word-of-mouth can be very powerful. But this can also be a disadvantage if the organisations make a mistake or fail to provide quality service to their loyal customers. As many authors have likewise mentioned, the word-of-mouth could be the most powerful communication tool with potential customers but it only works positively when the customers experience extremely good, high quality and excellent service (Chew and Wirtz, 2002). Still, customers may not say anything to others even though they have experienced good services.

Some authors believe that people tend to weigh negative word-of-mouth more heavily than the positive ones. In addition, the negative comments get worse over time. Therefore there are possibilities that the derogatory word of mouth may harm the image of organisations, which may have direct

setbacks towards profitability. Also, according to Jardine (cited in Divett, Crittenden and Henderson, 2003), schemes such as loyalty cards have been proven to be misnomers in recent research.

This means that loyalty cards or programs do not necessarily make customers more loyal.

Although organizations spend significant time and money on loyalty programs, there is no guarantee that these loyalty programs will prove to be successful strategies in obtaining customer loyalty. It is still thus a controversial issue whether or not loyalty programs really help to build strong relationships between customers and organisations, or if they really attract prospective and repeat customers alike to continue patronizing their products and services. Thus, there remains the question if it is indeed worth it to develop this type of marketing strategy or if it is only good in theory.