Brand New Lessons On The Orient Express

This week John Scott, CEO at Orient Express Hotels (OEH) announces a $15 million re-brand to double the number of crossover visits to the iconic properties and add as much as $16 million gross revenues. His calculations show crossover visitors outspend first-time visitors by 13%. Clearly the strategic intent and the past investments made in 2011 by OEH's leadership have not elicited the desired response from the properties' management teams and the customer base.

Cause Not Effect

I am not close enough to answer why but my experience from many such situations is that two things are absent: goal congruency and a shared mutual interest in mid-management levels (General Managers and key frontline people). The intent gets distorted in the operational layer of the business and the daily work of those tasked with making it happen.

With the announcement came promises of investment in branding, and technology. What was not clear and gets to the heart of the issue is the investment to be made in their people and the degree to which that is correctly synchronised, as in Figure 1.0.

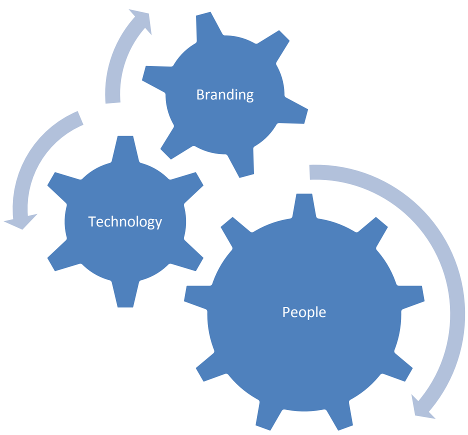


Fig 1.0 People, Brand, Technology Synchronised

My best clients NEVER start with individual's pay or incentives. They ask: Who is accountable for what behaviours? How will those behaviours result in meeting or exceeding our desired goals? (For OEH, increased repeat client business, increased referrals, increased occupancy, increased conversion of brand credibility and stronger relationships with third party owners into increased new openings etc)

Starting with their business goals with my help, we work through this in the following order: accountabilities, skills needed, behaviours needed, resources needed, experience required and development.

Separating Logic and Emotion

Customers and hoteliers think with logic but they act on emotional needs (ego, image, repute, peer recognition etc). That equally applies to effective "in the moment" conversations with "customers" (in OEH's case, guests, employees, third party owners and others they serve). Those discussions directly impact the relationship with the customer and the relationship impacts the results.

My experience in many luxury related businesses (wealth managers, art dealers, yacht brokers) is that those serving the clientele, often suffer from a lack of self-esteem and don't consider themselves a "peer" of the client. They are successful when they find a non-threatening client, who falls into their comfort zone, the amiable yacht broker with the amiable or expressive real estate billionaire. They are unsuccessful, when the analytical art dealer cannot "get" what the driven hedge fund manager wants or caves into his threats (witness, at its' extreme, Daniel Loeb's various falling outs).

I remember a very confident Swiss-based tax adviser telling me, how he maintained a 20 year relationship with one of the world's largest private investors in art and bloodstock. The family notoriously fire their advisers on a whim. "I have learned with them, you just do what they ask you to do. You never question them, you find a way to make it happen." Rest assured, he is not advocating breaking the law but he is highlighting the competency needed to shepherd the conversation and to know where you want to end up.

This case study also recognises that in the luxury space, you routinely come across clients, who have got where they are through force of personality, status, inherited wealth and to some degree, talent. Building a rapport with them requires adept social skills, strong intellect and outstanding language skills. Converting that rapport into new or repeat business and referrals is fundamentally about having the competency and passion to address their emotional, not logical needs.

Quick litmus test for any luxury hospitality executive:

1. What, if any, investment are you making today to reinforce hoteliers' self-esteem and language skills? What investment is required in future, alongside branding and technology to elicit the desired behaviours?

2. How much investment (time, money, resource) today is being directed towards improving both the quality and frequency of the "virtual" conversation with each customer pre- or post-stay versus improving the "actual" conversation during the stay? What does that need to be in future to achieve the business goals?

My conservative observation is there is a 5:1 investment. That's right five times as much investment in "low touch" moments (website, news update, print and electronic advertising) versus "high touch" moments (in the restaurant, in the lobby, with the concierge etc.). For most luxury businesses that cannot be right!

Brand New Action

So before we move on let's take on board a few lessons:

1. Branding is most effective when it represents a distinct improvement for the customer. Such as the opportunity to have a "one-of-a-kind personal experience expertly curated by the people who know you best".
2. Most businesses, OEH is no different, have brands clearly established by virtue of past success. Their challenge is to isolate what the most powerful potential is in terms of their own business strategy and to coordinate and invest in those that will provide a dramatic impetus towards their business goals.
3. To determine clients' future needs, businesses need to look back with their client's help and ask "what client results best symbolise our talents and contributions?"
4. A brand is a uniform statement of quality (Hermès, Bulgari, and Bentley). It must be repeatable and you can consistently deliver those results. It is never based on a one-off set of circumstances.
5. Viral spreading of the brand can be intensified by technology but you cannot rely exclusively on technology.
6. Success lies at the convergence of brand, technology and competency. Competency and passion is insufficient if your people lack the self-esteem and the language skills to have a meaningful conversation with your highest potential customers.
7. A meaningful conversation must focus on the emotional needs of the customer, not just the logical needs.

Product and Service Expansion

Let’s consider the layout of your products and services today and a common sense strategy to develop them in any geography or culture. My experience tells me that there are four typical relationships

	Current Clients	New Clients
Current products and services	①	②
New products and services	③	④

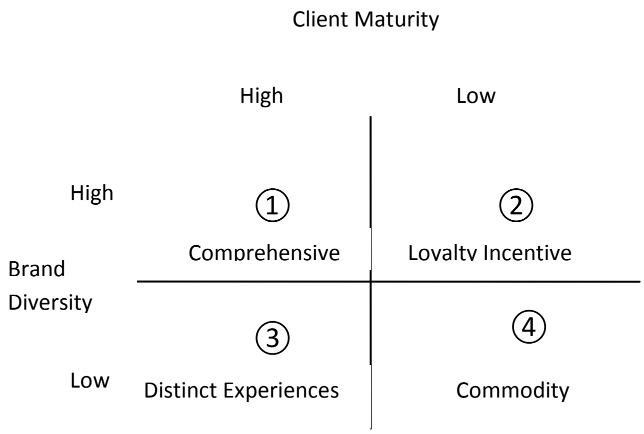
Fig 2.0 Future Growth Priorities

Let’s create some priority (highest to lowest probability for repeat business and crossover opportunities). Clients in position ①, who trust the brand, have used it frequently and will be inclined to provide repeat business in future. Clients in position ③, who are receptive to trying new properties and new experiences. Clients in position ②, marketing existing products and experiences with supporting testimonials, references and referrals, to new clients. Finally, clients in position ④, the hardest group to capture, where you are offering new experiences and new products to new customers.

Every brand, and every property needs an expansion strategy because existing offerings will be threatened by political and economic events, new market entrants, new technology, saturation of core source markets, changing customer perceptions and so forth.

Finally, knowing who to approach first or even, which prospective clients have the highest potential is a matter of intelligent use of customer data and gut instinct. The more diverse your offerings (in OEH's case, geographically and in terms of the different experiences offered in the hotels, boats and trains), and the more mature your client (history of taking luxury stays, travel extensively, discerning customer focused on value and excitement not price), the more comprehensive your marketing approaches can be. Equally, at the other end of the spectrum, the less mature (for example, affluent Chinese) and the less diverse, the greater that you are seen as a commodity. If you have high diversity in a specific geography, and the client is low in maturity, an incentive to try multiple offerings and reward loyalty may be the appropriate positioning. If your diversity is low but the client is mature, the customer may choose to use very specific offerings.

Figure 3.0 gives examples of how a luxury travel business might make the best of these different combinations



1 = Long-term intimate and personal relationship
2= Integrated customer travel partnership
3 = Tightly customised in-stay marketing of offerings
4 = Tightly customised remote marketing of offerings

Figure 3.0 Client Maturity

Brand Reinvention and Repositioning

Brands are like great masterpieces. All brands will eventually fade somewhat and others will deteriorate dramatically, unless carefully nurtured. Businesses and brands profitable growth is rarely linear or in a straight line, more often than not it is a series of "s" shaped increases. A modest progression until the results of the initial investment come through in terms of steep increased sales, image, repute, word of mouth etc. Then followed by a period where growth tends to flatten out or even decline year on year. There is a "plateauing" effect, which if not astutely recognised moves onto a more dangerous erosion stage.

Hard evidence shows that the greatest danger with keeping brands energised is where growth gently flattens out, not where it is prone to fall off a cliff edge. Why? Leaders are apt to not worry and often procrastinate (Disney is a brand that has suffered that fate and is still trying to climb out of it, close to a decade later). The best time to make the change is roughly three quarters of the way up the profitable growth slope. Businesses are able to leap from one growth phase to the next with minimum effort and maximum results.

OEH is on a journey with defined business goals, the challenge for them and for others in the luxury hospitality space is to maintain the focus and discipline, and most importantly, the resolve, in the operational layer of the business.

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