The Impact Of Unlimited Service Guarantee On Consumer Decision Making Towards Luxury Hotel Sectors In Accordance To Malaysian Consumer Protection Act 1999 (Cpa)

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ABSTRACT

A service guarantee is a promise that a service or product will meet certain consumer expectations or standards. On numerous occasions it is provided to the consumer in writing. Presumptuously assuming that the product fails to perform as promised, the vendor may offer replacement of the item, refund the purchase price, or offer other forms of reimbursement, like a store credit. The purpose of it is to instill consumer confidence. The disgruntled customer is apt to tell two to four times the number of people how poor the firm is. The cost of gallant recoveries has a terrific return on investment (ROI), even more with a service guarantee. Majority of hotel websites provides a "price guarantee” and not a service guarantee. Price guarantee is a reassurance (supported by a price comparison, extra discounts, credits, free room nights, and other pledges).

The inclusion of provisions relating to a supply of services in the Consumer Protection Act 1999 (the CPA) is very significant in the development of the law of services which previously has not been encompassed to the law on sale of goods. In conjunction with the aim of protecting consumers against sub-standard, defective or ineffective services, the CPA creates a number of statutory implied guarantees. The Act also introduces an entirely different remedial scheme for breach of the guarantees which are supposed to offer new and more practical remedies to consumers.

Adopting the method of content analysis, this paper focuses on examining the nature and types of remedies available for consumers in cases of services failure. Nevertheless, after scrutinizing the CPA in depth, it is discovered that the remedial scheme is hampered by many limitations and is not necessarily more favourable to the consumer in all cases.

Marketing orientation in luxury hotels warrants the involvement of all parties, in other words
personnel should be empowered and management has to take the lead in their pursuit towards customer service excellence. A “service culture” emphasizing on producing “service minds” with the aim of pleasing customers from the point of entry to the point of exit must be established.
INTRODUCTION

A service guarantee is a vow that embodies organizational allegiance that would bequeath customers’ faith placed in them. The assurance is to rectify failure as best as it could before recompensing the customer should this recuperation effort fail to convince the customer. Assessing unconditional service guarantees, which international firms come to mind? Federal Express promises, “tomorrow by 10:30 or its free.” Presumptuously that no one else is offering the guarantee, then the provider has a clear and present advantage. Appropriately employed, guarantees do reap benefits for many reasons.

Service guarantees ought not to provide guarantee in the direction of what the customer already expects. Guaranteeing that the guest would be provided excellent care by skillful personnel coupled with excellent and high quality, superior and finest rooms and amenities does not create satisfaction since the customer by now expects it from a luxury hotel, hence it would only make the customer not disappointed. Management maybe disillusioned or frustrated by pursuing to satisfy without understanding the difference between satisfiers and non dissatisfiers or dissatisfiers. Promises or pledges below the onset of customers’ expectation would be considered hollow and inconceivable, it naturally would not work.

The key to success in service guarantees lies in, undertaking, enacting, presentation and delivery. Service guarantees must enhance value to process, for example assuring that security services and personnel integrity is of the highest standards consistently. This ought to
initiate harmony and goodwill to the arduous and challenging customer.

A guarantee is a dual pronged contrivance for amendment. Customer expectation levels are established, linking it to an established standard and also dictates to employees what stage or level of service they are anticipated to deliver. A service guarantee frequently becomes a self-rewarding divination.

Assuring or pledging to distribute impeccable service points in the right direction towards the intention to deliver it. Subsequently, personnel are delighted the minute they accomplish the betrothed performance standard, which enhances self-esteem and develops solidarity. A well-written and properly executed guarantee is directly proportional to an organization that meets customer expectations virtually all of the time, hence creating positive post purchase behaviour. This leads to positive feedback about the product and its service quality. When there is positive post purchase behaviour the customer will engage in repeat purchases and spread positive word of mouth about the product encouraging others to engage.

Service guarantees must not be seen as a ploy; rather it should be construed as a genuine attempt by management to “put the house in order”. Indubitably, not every single business grants the category of service it should be inclined to guarantee. The unsurpassed solution to ascertain whether an organization is committed to write a guarantee is to sketch a few sample adaptations. Visualizing negative visions after preparing a draft indicates that the firm is not geared up for a guarantee. Conversely, if the contemplation is that, personnel would act in response to the challenge, then pursuing a service pledge or assurance that will position the firm on an overwhelming pedestal would be ideal. Service guarantees must be unobstructed, profound and comprehensible, significant, does not cause aggravation and provides swift compensation. Excellent service
guarantees pledges to compensate without boundaries or exceptions. Ambiguous restrictions and terms create customer distrust and non-commitment.

Organizations with unique service in the customers' minds average a 5-10% price premium over the unexceptional competitors' improved margin. Marriott Hotels has ranked as the leading hotel chain with frequent business traveller and meeting planners. FedEx charges 20-30% more than their rivals for overnight letter delivery, but no one else guarantees it. Higher prices points right to the outcome; a hotel could double profits with a distinctive service sold with a guarantee. Impeccable service commands a high price, zero errors dictates low-cost, high pride and morale, and low employee turnover. Perfect service provides high customers retention and low churn. Service guarantees, service pledges or assurances formed by an organization can succor many businesses to re-launch, re-position and re-brand themselves in the competitive environment.

Service guarantees also places an emphasis on front liners at the forefront to dispense high-value services incorporating quality, services and justified price. The return on value (ROV) for employing such a strategy can be overwhelming. Customers must be granted plentiful prospect towards condemnation of the failed encounter. Exploration studies has substantiated that discontented customers whose disconnects and failures with the service are resolved will be more loyal than those whose failures are not resolved. In pursuant, if service failures and recovery efforts are carefully tracked, they can provide actionable information for continuous improvements. The benefits of an effective service recovery strategy are: increased customer satisfaction and loyalty and minimizing customer churn; discovering valuable information that can be applied in continuous improvement efforts - ultimately leading to fewer failures; improved
employee morale since employees do not wish to be confronted with recurring breakdowns with no solution in sight. Service guarantees can thus be a critical part of a firm’s service recovery procedure to construct and fortify service loyalty.

This paper unambiguously and with clarity, attempts to identify how the service guarantee impacts consumers in luxury hotels. Furthermore, this paper examines whether an operative service guarantee reduces consumers’ negative word-of-mouth and word of “mouse” respectively. Consecutively, prevailing papers have resorted to remain disjointed in their inclinations, and service guarantee research is still at a prefatory stage.

Service guarantee motivate customers to protest and criticize about unacceptable service, which gives the organization an opportunity to transform negative encounter into positive with a gallant recovery. The cost of the recovery must be compared with the value of keeping a profitable flow of business from an account over the next five to ten years and having the customer mesmerized that they speak and spread positive information both physically and virtually of the organization to associates and prospective customers. Management should then set about the service remonstration constructively by engaging a sound methodology towards exterminating the service criticism. Segregation of service revival may not offer holistic resolution to the issue. A service guarantee coupled with a cost effective, dependable, flexible, reliable, sincere, remorseful and prompt recovery in a convivial environment should be adopted and applied in the service encounter. A robust recovery strategy can positively influence customer satisfaction and loyalty and also improve bottom-line performance by ensuring retention, fulfilled expectations, repeat purchase intentions leading to trust and commitment in the brand and organization. Un
successful recoveries lead to defection, negative word of mouth/"mouse" and loss of customer confidence.

Efficacious service guarantee is simply the element that could guarantee that the customer does not carry negative communications about the failed service encounter. The disgruntled customer is apt to tell two to four times the number of people how poor the firm is. The cost of heroic recoveries have a terrific return on investment (ROI), even more with a service guarantee.

Customer gripes provides more opportunities to rethink, refine and re-educate the delivery system. A majority of firms delude themselves into thinking that they have “good service” because no one has complained or protested. Meanwhile customers may be quietly deciding to exit without complaining, and the firm is too busy measuring how many new accounts they are opening and not how many existing, profitable accounts they are losing.

A service guarantee focuses and motivates the employees to move towards service standards that are important. Service guarantees should drive the organization towards high consistency.

Service guarantees must not be seen as an undecided or doubtful attempt to improve overall value. Guarantee must be “unconditional.” “ifs and buts” dilutes the impact and the challenge to both the customer and the employees. Guarantee standards that are both easy to comprehend, invoke and evoke and to communicate to both the employees and the customers; complexity such as conditions confuses the customer and decreases the envisioned impact.

The disbursement has to be: deeply profound to motivate the customer to invoke it; substantial and adequately significant to compromise their cost of failure which the organization had caused them; and/or the punishment must seem reasonable in the customer's conviction. The compensation must be straightforward and uncomplicated.
Many managers are still engrossed with wrong notions of what makes a firm flourish - cut costs, buy low, sell more. Many have not measured the substitute economics of faultless and flawless service, valiant recoveries, customer retention, and service guarantees in spite of the boisterous success of these types of programs in the past ten to fifteen years.

The notion that “we can't guarantee everything”, therefore focusing on zero errors and on-time delivery are quite common. Some are concerned that if they had great service and offered a guarantee, customers would cheat or deceive and cost the firm a hefty amount. Studies show that one to five percent of most customer groups are potentially abusive, therefore a record of payoffs or settlements on a dedicated database must be maintained. Grade or rank customers every six months from high to low by the number of credits/payoffs that have been issued. Investigate the most notorious ones and keep a vigilant check and show that their activities have come under scrutiny.

Anxieties about potential pitfalls must not hinder an organization from succeeding with the other 95-99% of the customers. The service guarantee program can be insured to avoid such glitches. A service guarantee program can support to realise several crucial and fundamental objectives.

This can spur the vision to get employees motivated to move towards unadulterated service standards instead of providing mediocre services. Employing service guarantee is a competitive advantage and also it acts as the driver for a “customer retention program” underpinning trust and commitment. The payoffs of a well executed guarantee program is that customers would act as an advocate for the firm by circulating positive communications over the long term.
The proposition towards the enactment of a service guarantee policy is based on Malaysia's Consumer Protection Act 1999 (CPA), a decree which came into effect 1st October 1999. The piece of legislation enacted with the main objective provides greater protection for consumers. The provisions of this statute cover areas not covered by other existing laws. This act provides simple, inexpensive amends to consumer gripes and emancipation of a specific nature.

Under this act, a persecuted consumer may express any dispute or contention of less than RM10, 000. Under the Consumer Protection Act 1999, your civil liberties granted cannot be disengaged from the consumer notwithstanding conditions in an agreement that you have signed.

OBJECTIVES OF THE PAPER

This paper pursues three objectives. After analyzing a brief overview of the service quality in Malaysian luxury hotels, the paper discusses the following:

1. The rational and importance of creating awareness of adopting a service guarantee by the luxury hotel sectors as provided in the Consumer Protection Act (1999) Laws of Malaysia ACT 599, Part VIII GUARANTEES IN RESPECT OF SUPPLY OF SERVICES Section 53-56. The need for consumer protection against unscrupulous operators cannot be seen as shallow and isolated. Target markets include a mix of locals and international tourists. Image as a precursor to decision making creates concern about how local operators deliver products and services.

2. The implementation process and sequence of a service guarantee. The presence of any guarantee makes a positive statement about the property, image, brand, its employees and its commitment to exemplary guest service. The promise of money-back is less compel-
ling to consumers than a serious promise to fix the problem on the first try. Guests do not want to express dissatisfaction or ask for monetary compensation. However, most travellers prefer a reasonable gesture when tangible compensation is necessary. The guarantee statement put forth to guests: “Our Goal at (name of hotel) is Total Guest Delight. If you aren’t delighted with our services or products, please do let us know immediately and we’ll put it right or you stay is free.”

3. The effect of perceived value and marketing orientation on the implementation of service guarantee towards differentiating the product in achieving hotel loyalty, decreasing switching behaviour and consumer delight.

UPDATE ON THE LUXURY HOTEL SECTORS AND CPA (1999)

The universal luxury terrain and the extravagant customer has progressed radically over the last turbulent and transformative years. The dawn of unparalleled contemporary high-tech advances, connected with the surged cynicism left over from the international financial crisis, mean that currently consumers are persistently demanding sincere, precise, judicious and engaging information. They are looking for innate value and a deeper relationship with the brands with whom they choose to support and interact. Luxury needs to be authentic and unique in its presentation and delivery.

Contemporary design, highly personalised service, noble and natural materials combined with contrasting tones exude a cosmopolitan and Zen-like atmosphere. A unique property ideally located in the city centre or resorts, featuring comfortable design rooms. A luxury hotel, provides physical evidence of premier level of personal service. Elegance, style and sophistication
overflow and rooms are furnished with high quality linens, and equipped with high-bandwidth, wired and wireless networks, multiple business video and collaboration applications, and endpoints such as video displays and IP phones, jacuzzi tub and in-room video. There are multiple restaurants offering various cuisines on site with extensive, gourmet menus, and room service is also available 24-7. A fitness centre, valet parking and concierge service round out the experience.

People are trained to pamper at luxury hotels. A high ratio of staff to guests is a key component of the 5-star treatment. Being pampered, of course, is one of the main reasons why people book into luxury hotels, and it would be churlish to resent it. Process excellence might not be the decisive cause when contentment is at stake, but specifically the consequence of the procedure itself that judges the level of commitment and loyalty of customers’ post purchase behavior. Brand equity does not play a role in determining satisfaction levels pertaining to less known or well known brands but the pledge of hotels which was the promise of the “pull factor” would decide the preliminary desire to engage.

The image of an organization augurs well with the customer when service failure is rectified and handled heroically but the opposite does not guarantee the same effect. This is where the service guarantee can be invoked upon hence reducing or eliminating bad word of mouth/mouse for the organization and keeping the customer within boundaries of a full blown terror attack online and offline. Therefore the process element is influenced by high quality services and the outcome is predicted by the service guarantee.

Malaysia’s hotel trade operates in a competitively aggressive environment with threats of new
players and substitute products as well as low priced high value players. This leads to competitive pricing and razor thin margins. Malaysia continues to face challenges in providing quality services to tourists. Customary problems of frontline staff not being able to deliver quality service or the inability to speak the language of tourists are widespread. This spearheads customer perceptions of not meeting their expectations consistently.

**The Solicitation of the Consumer Protection Act 1999**

The CPA is only pertinent to consumer services dealings which satisfy certain provisions. The main provisions are that the person involved must be a user, the service must be among the services covered under the Act and it must be supplied by a business-related profit making supplier. Section 3(1) demarcates a consumer as “a person who -(a) procures or uses goods or services of a kind ordinarily acquired for personal, domestic or household purpose, use or consumption; and- (b) does not acquire or use the goods or services, or hold himself out as acquiring or using the goods or services, primarily for the purpose of -(i) resupplying them in trade; (ii) consuming them in the course of a manufacturing process; or (iii) in the case of goods, repairing or treating, in trade, other goods or fixtures on land; “It is lucid from the definition that a consumer can either be the one who buys or uses the services. The ultimate of the definition is that there is no predetermined relationship required between the consumer and the service provider. Consumers may straightforwardly without doubt comprehend and recognize that minimum quality standards in the supply of goods and services are ensured by a ‘guarantee’, rather than by an ‘implied condition’ or ‘warranty’.

Therefore the CPA thrust upon new legislative onuses on suppliers of services to protect the
end users of their services regardless of whether they are their customers or not. However these responsibilities does not extend to professionals who are regulated by any written law and healthcare services providers since they are outside the realm of the CPA (Section 2(2) ).

Under the CPA a supplier is a person who supplies goods or services in trade (Section 3(1)). The employer is also ‘assumed accountable’ when his/her employee does not exercise reasonable care in supplying the services. Consequently, the delineation of supplier is all-encompassing. Services is defined in section 3(1) of the CPA to include “any rights, benefits, privileges or facilities that are or are to be provided, granted or conferred under any contract but does not include rights, benefits or privileges in the form of the supply of goods or the performance of work under a contract of service”.

It is palpable from the above definition that the phrase ‘services’ is distinctly expansive to ‘any’ contract except in the two junctures cited above. Therefore, there are three modes of services that are without a doubt in the interiors of the CPA. At the outset, are immaculate services which do not amount to any physical product. Subsequently, are services which yields tangible products. Thirdly, are services linked to the provision of goods or materials which are habitually by a competent professional such as a carpenter, a cook and a chambermaid all of whom would employ an article to expedite their tasks efficiently. The definition clearly omits services which are purely secondary to the supply of goods. Plausibly, the rationale of this omission congregates to the understanding that that it has been concluded under Part V and Part VI of the CPA and other law on sale of goods.
Implied Guarantees in a Contract of Supply of Services:

Aforementioned any resolutions under Part IX of the CPA can be claimed, consumers must corroborate that the provider has clearly conflicted one of implied guarantees under Part VIII. The CPA grants four implied guarantees in lieu of the supply of services namely, implied guarantee as to judicious care and skill, implied guarantee as to robustness for particular purpose, implied guarantee as to time of completion and implied guarantee as to price.

Nonetheless, it is not the intention of this paper to deliberate scrupulously these implied guarantees since it concerns more with the liberties provided to consumers and when these guarantees are breached. Moreover only pledges to reasonable care, skill and fitness for precise purpose are directly concerned with standards and quality of services. Section 53 enforces on service providers the magnitude towards reasonable care and skill in the execution of the service. The providers could be in violation of their duties should they enact their services to undermine the skill, capability and assiduousness of other providers who concentrates in the same field of services.

Section 53 bears a vagueness that has lately been resolved by the CPA (Amendment) Act 2010 with an axiom “...any material supplied in connection with such services will be fit for the purpose for which it is supplied” is auxiliary to the section. Contrariwise section 53 may now share a common ground with an implied guarantee under section 54 which compels that the service and any merchandise resulting from the services to be reasonably fit for any particular purpose and is of such disposition and quality that it can reasonably be expected to achieve any specific result.

However the consumer must make known to the supplier the particular purpose for which the services are required or the result that the consumer desires to achieve. Thus consumers who
know precisely what they want and convey detailed instructions to the supplier are entitled to demand perfection under this guarantee. However a service provider cannot be blamed for the failure of the service to achieve the intended outcome if it is caused by factors beyond his control, for example the fault of other persons (not his agent or sub-contractor) or an act of God (section 58). Hotel services would not warrant section 58 to be invoked due to its remoteness of occurrence.

**Remedies for Breach of Guarantees:**

The remedies provided against the provider of services under Part IX are analogous with the resolution available under Part VI in respect of supply of goods. However the remedies available will depend on whether the failure in the service is curative or extensive. In cases of remedial failure such as defective services, the service provider must remedy the failure within a reasonable time (section 60(1)(a)). Should the service provider refuses or fails to remedy the failure within a reasonable time, the consumer may remedy the failure elsewhere and later claim the cost from the provider. This might be the case if room reservations are not honoured. A consumer also has the alternative of annulling the indenture (section 60(3). An all-encompassing service catastrophe is a debacle that cannot effortlessly be alleviated within the interiors of a stipulated duration. Equitable time to produce the product consequential from the services suitability for the precise purpose or to achieve a noteworthy result. A malfunction is also of a significant character if the outcome leading towards the services is unsafe (section 62).

In such occurrences, a consumer may cancel the contract or obtain from the service provider
damages for any reduction in the value of the product resulting from the services (section 60(1)(b)). In addition the service provider may also be responsible to compensate a consumer for any consequential loss resulting from both types of failure (section 60(2)). The following sections provide detailed discussion on the three remedies that may be claimed by aggrieved consumer for breach of implied guarantees in a contract of supply services; namely rectification of the failure, cancellation of contract and claiming damages in the form of reduction in the value of product and damages for consequential losses the guarantee clearly states the level at which the service should be delivered, and indicates the costs of failing to do so. Some of these influences include learning from service failures, setting standards for service delivery for both employees and customers, serving as a competitive advantage, and increasing satisfaction and retention of customers. Despite a growing interest from service organizations, research on service guarantees has been surprisingly scarce. Therefore, the aim of this paper is to provide a wider understanding of the roles of service guarantees in managing services.

Major reason of the attention for market orientation was surely to elaborate its consequences, more specifically its impact on the performance. As a result number of research was conducted mainly in manufacturing companies and found a link between them and in these research hotel industry got relatively less attention.

Luxury hotels like any other business exist to make profit and have to continuously create value for their customers. The three elements that separates intangible from tangibles are the prices, people and physical evidence. These three element creates perceptions in the minds of the consumer who are highly involved in their selection. Negative perceptions about luxury hotels would not create positive brand equity for a well known or less known brand. Target segments would employ integrated marketing communication channels to derive information. Luxury hotels are highly involved as they have an inherent commitment to provide impeccable services and products. Service failure plays an important role as it links the consumer to financial risks and exposes the hotel to legal aspects should the consumer decides to press charges.

The changes in the industry and macro environment offers opportunities and threats for the hotels. Therefore in this rapidly changing business environment today, hotels have to continuously generate intelligence about the current and future customer needs and wants, disseminate this information to all departments and respond to changes promptly. In short, they have to be market oriented, so this will result in satisfied loyal customer, repeat business and consequently positive business performance.
According to (Dursun, T. and Kilic, C., 2011, p.55) a marketer has a significant impact on the creating demand and establishing trust between the organization and the customer, the actions and behaviour of a marketer and his/her orientation towards the customer become very significant and central from the organizational standpoint. If an organization aims to establish and/or maintain a competitive position in the marketplace and to develop long-term satisfactory relationships with its customers, it should emphasize on understanding the factors that influence the customer-orientedness of its marketers.

Marketing alignment in luxury hotels entitles the envelopment of all parties. Personnel should be empowered and management has to spearhead the principal quest in the direction of customer orientation. A “service culture” with priority prominence on producing “service minds” with the aim of delighting customers from the point of access to the point of departure ought to be recognized.

This can be realized by differentiating to postulate a “risk relieved service” concept. Service guarantees adds a valuable element to the process and people element which clearly differentiates itself from competitors. This should bestow customers with tangible and intangible evidence of a superior “risk free product”. The guarantee may be able to reduce the customer’s risk by acting as a risk reliever. Customers are highly confident, motivated and involved when their perceptions and expectations are guaranteed. The risk associated with high involvement products must be compensated by a highly involved reward system. This is directly proportional to empowered employees providing an impactful service at all customer touch points.

Luxury hotels place an emphasis on high quality products and services and targets business and
tourist segment. This is particularly true as locals might not be willing to spend on luxury accommodation. The main targets are corporations and tourist. The reality remains that tourist are highly wired and could cause severe damage to Malaysia should luxury hotels provide mediocre services.

The implementation of service guarantees would act as a preemptive strategy to combat bad grapevine both online and offline, this might not be a holistic solution but it surely would be a deterrent.
THE IMPLEMENTATION PROCESS OF A SERVICE GUARANTEE.

Majority of hotel websites provides a "price guarantee" and not a service guarantee. Price guarantee is a reassurance (supported by a price evaluation, extra concessions, free room nights, and other pledges). Starwood Preferred Guest (SPG) offers, “The Starwood Best Rate Guarantee” which is a guarantee with a 10% discount or 2,000 Star points. Find a lower price elsewhere and your first night is free. Within the context of luxury hotels service plays a key role in determining the total service experience, whereas determining price is clearly an antecedent process to services. In essence, offering a price guarantee dilutes the brands equity whereas service guarantee fortifies it. The issue of customer perception and expectations which can only be addressed if a guarantee is initiated, an unlimited service guarantee. The cutthroat hotel industry should not differentiate on price as a solitary element without product and services as the industry offers a hybrid product.

This being the case would put an excellent service guarantee design in place which must possess high visibility on hotel websites. Awareness, interest and desire levels at this stage must be immensely drawn in. The guarantee must be simple, comprehensible and convenient to invoke. Service guarantee must indicate that the customers are at no risk if they stay with you, in fact they are making a low risk investment. This can be put across to them when you clarify that service guarantees are made to reduce customer risks by providing superior value. Guests must be made aware of their rights to service guarantee as enshrined in the Consumer Protection Act (CPA 1999). Any service guarantee would not be effective if the hotel just paid lip service to it. Above all guarantees made good by the hotel should be provided straight up-hassle-free. The aspect of reality and believability must be made to ooze from such a guarantee.
to send a clear signal that the providers are genuine and are in it for the long haul. The purpose of enlightening the system of obligatory excellent standards in the supply of goods and services was grounded on the interpretation that, by making the language of the law more comprehensible, easy to use, straight forward and affable, consumers would be more competent and adept to impose their rights and dealers or merchants would be capable to understand their obligations. Conversely, it is crucial to concur that elucidating the communicational morphology used to illustrate civil liberties unveils insignificant bearing lest consumers and traders are mindful of the presence of those rights. Assuming that consumers are made aware of their rights, then the expression used to define those privileges in all probability presumes an insignificant role. Intriguingly, even though the CPA(1999) provides the Minister with the possibility of requiring merchants to exhibit notices enlightening consumers about their rights under the CPA, this power has not as yet been exercised.

The Crowne Plaza Niagara Falls hotel offers 100% satisfaction guarantee or your money refunded. They pledge that “We want to make you feel welcome here at the Crowne Plaza, so we offer our 100% satisfaction guarantee or your money refunded. We pledge to do everything we can to make your stay pleasant.” Their top priority is ensuring that they promptly address any concerns guests may have. If the guests need anything during their stay, a special dedicated customer satisfaction line is available 24 hours a day to handle any problems. That's how serious they are about their 100% satisfaction guarantee! This creates higher brand value and equity towards a well known brand.

A service guarantee is a marketing tool that have increasingly been used to reduce consumer risk,
signal quality, differentiate a service offering, and to institutionalize and professionalize their internal management of customer complaint and service recovery. Delivering service guarantees, companies entitles customers with one or more forms of compensation, namely easy-to-claim replacement, refund or credit, under the circumstances of service delivery failure. Conditions are often put on these compensations; however, some companies provide them unconditionally. The presence of any guarantee makes a positive statement about the property, brand, its employees and its commitment to exemplary guest service.

The promise of money-back is less compelling to consumers than a serious promise to fix the problem on the first try. Guests does not desire to express dissatisfaction or request monetary compensation. However, most travellers prefer a reasonable gesture when tangible compensation is necessary.

The objective of a service guarantee is to increase repeat business (positive post purchase behaviour) and positive word of mouth (company advocates), decrease switching and complaints. The next objectives are to reduce employee turnover, increase motivation, create vision, increased utilization, and improved margins leading to higher profitability. The emphasis that everyone is a link in the quality chain must be reinforced and emphasized constantly to create “top of the head” awareness towards quality value service outputs integrating both core and support departments.

Studies suggest only four to ten percent or lower overall rates of customer complaints of service failures among local and international segments. In the case of luxury hotels these groups have higher aggregate education and income levels than other segments. The disparity with a higher
likelihood of customers not receiving the perceived and expected service, as well as receiving less adequate services than other segments should be considered seriously by hoteliers. The need to reach out to dissatisfied customers is paramount in the provisions of adequate care to customers. The other ninety to ninety-six 96 percent do complain but not to the organization that might be able to do something about it, but to anyone who is willing to listen! Life in the fast lane is seriously becoming competitive, the mantra for hoteliers is simply: “Do it right the first time or face customer churn.”

In today’s marketplace, providing services to specific populations and building a niche practice can help hotels remain competitive. Gaining experience in providing services to members of certain luxury segments can help a hotel become recognized as an expert in working with particular segment. Many hoteliers also find it very gratifying that, beyond growing their business, they are providing a valuable service by meeting community needs for high quality hospitality and auxiliary services.

Hofstede’s (1980) survey process resulting in 117,000 responses from 88,000 employees in 66 countries work on cross-cultural differences between the East and the West. Hofstede (1980) originally identified four dimensions on which Asian and American cultures differ; a fifth dimension was added and elaborated on in Hofstede and Bond’s (1988) work. Termed “Confucian dynamism,” this fifth dimension reflects Confucius’s teachings on the importance of perseverance, social hierarchy, thrift, and having a sense of shame. A high score on this dimension is believed to be consistent with “a dynamic, future-oriented mentality” (Hofstede and Bond 1988, p. 16). Among the top ten ranked countries on this scale, seven were Asian. In other words, Asian
cultures probably value the future more than the present, and thus they are likely to be more patient than their American counterparts. Identifying community characteristics and needs is an important early step in planning the outreach to ethnically and racially diverse segments, in this case the Asian and European customers. Therefore we can conclude that Asians are less likely to get agitated in waiting for services compared to their Europeans counterparts. This is paramount in establishing waiting timelines for service guarantee. When it comes to delivering professional services, it is important to assess the impact of language differences as well as reliance on family members in help seeking. The fact that many guests do not speak English as a primary or even secondary language has profound implications for the prospect of building strong client-relationships that rely on verbal communication. Front liners who are entrusted to deliver highly professional services must be able to grasp the communicational barriers and execute with exceptional confidence and tact. The customer is exasperated when a service pledge or vow has not been honoured. That vexation should not be intensified by a guarantee that necessitates time, exertion and rage to invoke.

Workforce are proficient to deliver the service, they should also know what to do when there is a failure; namely help the customer get his or her reward. Employees also must be able to deliver the compensation. A long and winding collection process to can lead to customer aggravation and subsequently loss of demand through switching or churn. This diminishes the goodwill that service promises are supposed to reinforce.

The minute the customer is disappointed about poor services a fast payout relieves risk of customer switching by reducing the possibility of switching. The implementation of service guarantee requires devotion and dedication from the top. Typically, however, companies that
guarantee their service have not been hit disproportionately by payouts. Conversely, they have garnered substantial benefits in increased efficiency, customer preservation and employee self-esteem.

The main goals of adding value is to develop a strong service guarantee which converts customer dissatisfaction into customer loyalty through positive relationship between a brand and its customer. The 100% Guest Satisfaction Guarantee provides every employee with an opportunistic tool to help satisfy guests when problems can’t be resolved. A dissatisfied customer who is the recipient of a good recovery strategy is more loyal than one who has always received good services or products. In the long run, we know this would translate into guest advocates-those valuable word-of-mouth advertisers-and increased revenue from loyal customers. Hotels that are keen to succeed need to find ways to dramatically exceed the industry norms. The strategies and “modus operandi” profiles embedded in this white paper highlight some examples of how this can be achieved.

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<td>Declining financial burden</td>
<td>Allegiance and conviction</td>
<td>Loyalty program</td>
</tr>
<tr>
<td>Delightful</td>
<td></td>
<td>Provides closure upon exit</td>
<td>Absolute Quality Domination</td>
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<tr>
<td>Highly differentiated</td>
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**Figure 1.0: The four key components of an efficient, unconditional guarantee.**

The presence of any type of guarantee makes positive statement about the property, brand, its
employees and its commitment to exemplary guest service. The promise of money-back is less compelling to consumers than a serious promise to fix the problem on the first try. Guests do not want to express dissatisfaction or ask for monetary compensation. However, most travelers prefer a reasonable gesture when tangible compensation is necessary.

In the service industry personal relationships is important and the best conditions for a guarantee occurs when: (1) The product is categorized as extravagant (2) The customer’s self-worth or dignity is susceptible (3) The customer has low involvement with the service (4) Negative ravages of failure are high (5) The industry has a poor standing for service excellence (6) The company depends on recurring demand (7) Word of mouth/mouse has high influence to sway decision making (8) Elevated image/brand reflection of establishment

Service should exceed guest’s expectations in a consistent manner. Hotels that seek to distance itself from the “personal touch” risk going into the impersonal façade that customers are not very keen to face.

Whenever possible, customers should be provided with pleasant surprises. This is the beginning of a long term relationship. This capability can be afforded at least to a subset of all customers via careful segmentation. Personalization or customization is the new dawn in hotel services.

When complaints are channeled through social media, they have no expectation of getting a response from the company they’re complaining about. But if that company is serious it should employ all channels to solve problems and reach out in an integrated manner using online and offline channels. An organization that takes the effort to listen proactively and solve problems through the right customer channels would create a great positive impact towards their post
purchase behavior.

The implementation process requires a solid design, which would be easy to understand by the internal customers and easily accessed and employed by the external customers. The implementation gives room to continuous improvement, which simply means that the concept is evolutionary and is dynamic in nature. The aim of course is to achieve organizational goals and milestones.

A solid guarantee is one that is about change and encircled by management support. Guarantee must be market oriented and adds value to the receiver. The capability to have a strong marketing intelligence set up cannot be discounted. Customers or travellers in this era are well informed and cannot be offered “just any product”. They would conduct a high search and their involvement is exhaustive and extensive. Risk minimization is key in enticing customers especially in internet savvy ones who would have a pain-staking search prior to arrival to their destination. Sites such as “Trip Advisor” and “Agoda” ,Skypicker.com,Stay.com,Staydu.com,Vayama.com and many more basically helps you figure out where you can fly within your budget and provides valuable insights into their search for a dream vacation or a business trip. More than 45 million would-be travellers click onto the Trip Advisor (tripadvisor.com) website every month, which makes it a powerful decision-making tool for consumers.

Quality is an essential element in the service process especially luxury hotels. Evolutionary change needs to be implemented in order for an extraordinary change to take place. An overhaul of the existing resources might not be the answer, adding value to the core and support processes would be the ideal remedy. Analysing gaps such as the service guarantee gaps would provide an
insight into the process of failure and recovery. The gaps clearly states that there are two perceptions, one form the management and the other from the customers. The truth is, no matter how many times training and development are carried out customers look towards consistency and value. Congruency and alignment of the right philosophy would create ownership and a state of solid cooperation between management and personnel. Once management consensus are achieved the transformation process takes place.

THE EFFECT OF PERCEIVED VALUE AND MARKETING ORIENTATION ON THE IMPLEMENTATION OF SERVICE GUARANTEE TOWARDS DIFFERENTIATING THE PRODUCT IN ACHIEVING LOYALTY, DECREASING SWITCHING BEHAVIOUR AND CONSUMER DELIGHT.

Marketing orientation has four core drivers; Competition, Performance, Market Signals and Culture. Hospitality employees involved in the service encounter tend to derive vital data on behaviour which helps them to improve the service process from customer satisfaction or dissatisfaction and has a significant impact on behavioural brand loyalty when mediated by attitudinal brand loyalty including cognitive-affective-conative aspects, brand loyalty stages, improve the hospitality offering to its customers, thereby increasing competitive advantage.

Market orientation is the implementation of the marketing concept or in this case the execution of the service concept and it is more than just being customer centric. Management support and organization wide empowerment is needed to facilitate enforcement both in the short and long term. To achieve this complete overhaul of the current culture must be initiated by aligning and changing the firm wide cultural context by inculcating the spirit of conviviality into a con-
continuously improving cycle of service and product excellence, a continuous, strategic commitment role by management ensures the success or failure of a service encounter. Supportive cultures are characterized as open, harmonious, trusting, safe, equitable, sociable, relationships-oriented and above all humanistic, i.e. not being too rigid in the service encounter deliverance. Market orientation develops through stages, principally, production, sales and market orientation and can be related to supply and demand relationships and competitive conditions.

In the service industry market signals are crucial elements that shapes the fundamentals of a firm’s marketing orientation. In a highly fragmented market, hotels must be aware of the level and the intensity of competition and therefore employing the right strategy. Initial providers with market orientation can pursue a service guarantee strategy which would provide insights into customer needs before the competition sets in. Services can be easily imitated by competitors and this leads to high risks in its longevity. Service guarantees must be highly differentiated by the expertise of the provider but rarely is a product or service safe from duplication.
According to Lau et al. (2005) six service quality dimensions were tested which was employed to compare expectations and perceptions among 118 four and 168 five star hotels in Malaysia with respondents. The majority (36.7 percent) of respondents were from South East Asia, other Asia countries (23.6 percent), Europe (14 percent), while the rest of the respondents were from other countries.

The intent of the study was to increase the comprehension of the expectations and perceptions towards hotel service quality from the hotel customers’ perspective. Besides that, the study also wanted to explore the relationship between the overall satisfaction and the five SERVQUAL service quality factors in the context of Malaysia’s luxury hotels. The study revealed that hotel customers’ perceptions were consistently not meeting their expectations. The negative Customer Gap (Gap 5) across the attributes suggested that more effort should be put in by the hotel operators to improve the service quality of the hotel industry in Malaysia. This is inline with Choi and Chu (2000) statement that success in any business depends on understanding the critical factors that determine customer satisfaction, and ensuring that the business meets or exceeds customers’ expectations.

This is consistent with another study’s findings by Razalli (2010), in which he states that most of the hotels in Malaysia tend to have a low level of employee empowerment and variability in their service delivery process. This shows that poor service has a link with empowerment. The study revealed that hotel customers’ perceptions were consistently not meeting their expectations. The negative Customer Gap (Gap 5) across the attributes suggested that more effort should be put in
by the hotel operators to improve the service quality of the hotel industry in Malaysia.

Value chain analysis describes the activities within and around an organization, and relates them to an analysis of the competitive strength of the organization. Therefore, it evaluates which value each particular activity adds to the organizations products or services. This idea was built upon the insight that an organization is more than a random compilation of machinery, equipment, people and money. Only if these things are arranged into systems and systematic activates it will become possible to produce something for which customers are willing to pay a price.

Porter argues that the ability to perform particular activities and to manage the linkages between these activities is a source of competitive advantage. Porter's value chain model was developed in a way that made it bias to manufacturing than service industries

Porter distinguishes between primary activities and support activities. Primary activities are directly concerned with the creation or delivery of a product or service. They can be grouped into five main areas: inbound logistics, operations, outbound logistics, marketing and sales, and service. Each of these primary activities are linked to support activities which help to improve their effectiveness or efficiency.

This might not be the case for the hotel industry, take for example inbound logistics, for the manufacturing industry raw materials are considered to be inputs before being passing through the operations and eventually the output- finished product distributed through downstream channels which adds value throughout the supply chain.

In a hotel this process if duplicated does not add value. This is because services are hybrid in nature and value cannot be achieved if the process to add it does not have services
involved. For example when raw materials are brought in (inbound logistics) and stored and eventually processed through the operations (kitchen), and channeled to the dining area, here the servers would “deliver the orders” to their respective stations but in manufacturing finished goods are inventoried, hence inbound logistics does not add value by the purchasing and deliverance of the right materials but also the right kind of services administered by the hotel towards their customers. This is even more so as services cannot be inventoried and are highly perishable. The operations in the service industry is labour intensive whereas the manufacturing industry are not as they are automated.

There are four main areas of support activities: procurement, technology development (including R&D), human resource management, and infrastructure (systems for planning, finance, quality, information management etc.). These support areas alone cannot add value as stated by Porter as because there are some activities or processes such as security, engineering and public relations which was omitted in his work. These processes has a low risk of failure as their level of contact with guest are not direct and hence moderate to low.

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<tr>
<th>HIGH LEVEL OF CONTACT</th>
<th>HIGH RISK OF SERVICE FAILURE</th>
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<td>➢ PUBLIC RELATIONS</td>
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<td></td>
<td>➢ INFORMATION TECHNOLOGY</td>
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VISIBILITY

CONSUMER POST-PURCHASE BEHAVIOUR
Figure 3.0. Hospitality Service Value Chain

In the hotel industry where guest belongings are brought in to the hotel upon arrival, a sense of policing the area is therefore vital to add value to the entire process. The entire stay would not add value should there be any mishaps during the stay which resulted in financial losses due to poor policing by the security forces. Another aspect of security is the securing of payment through the internet which is vital for customers making payment online.

Engineering on the other hand is another “value enhancer” to the entire stay experience. For example if a faulty air condition unit cannot be repaired satisfactorily during the stay.

Public relations also adds value as a demand side factor which influences the decision making of the would-be guest. The image of an organization plays an important part in the selection or deselecting of a property.

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