

Learning from others: Benchmarking in diverse tourism enterprises

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ABSTRACT *Benchmarking, described as 'the search for industry best practices that will lead to superior performance' (Camp, 1989, Benchmarking: The Search for Industry Best Practices that Leads to Superior Performance (Milwaukee, ASQC Quality Press)), has been used as a tool for quality improvement in industries as diverse as motor manufacturing and banking. Tourism is a highly significant part of the Scottish economy, and it is recognized that the success of the industry depends on competing on the standard of service provided. However, few applications of benchmarking have been reported from this industry. This is due in part to the diverse nature of tourist operations: the majority of reported successful applications of benchmarking are from major organizations, whereas tourism operations range in scale from major tour operators to family-run accommodation. This paper will report the result of a benchmarking study carried out between three diverse tourism operations, each of which possesses particular strengths in attracting new custom, retaining customer loyalty and innovation. The paper will discuss how the well-established technique of benchmarking can be adapted to suit the needs of typical tourism operations.*

Introduction

Scotland has the vision to be a world-class tourist destination. It has many distinctive assets, including majestic scenery, natural environment, cultural and historical attractions, sporting events and vibrant cities. Although the country is already an important tourist destination, it has yet to realize this vision.

The provision of a quality of service to complement the features above is one way to ensure sustainable long-term growth. Learning from others can help to improve quality of service and develop a competitive advantage, benefiting individual organizations and the Scottish tourism industry as a whole.

The aims of the research were to formulate a method for facilitating benchmarking among diverse organizations and to determine the extent to which these diverse organizations could learn from each other.

Benchmarking is a quality tool that can help in this process and it can be used in a variety of industries, both services and manufacturing (Emulti & Kathawala, 1997). However, for small companies benchmarking may be too time-consuming or too expensive (Micklewright, 1993) and the tourism industry contains many small businesses that would not consider

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benchmarking for these reasons. The method presented here will show that small companies can partake in benchmarking without the fear of escalating costs or indeed the fear of sharing information with perceived competitors.

Benchmarking methods fall into four main categories: internal, competitive, functional and generic (Camp, 1989, Zairi & Leonard, 1994). These can be defined as follows:-

- Competitive benchmarking: a comparison with a direct competitor.
- Internal benchmarking: the search for best practices internally.
- Functional benchmarking, which looks at specific functions with similar functions that are 'best in class' (usually non-competitor).
- Generic benchmarking, which considers processes that extend across functional barriers and organization sectors.

For the case studies in the research, generic benchmarking was considered to be the most appropriate. Existing methods considered were the Xerox model (Camp, 1989) and the Vaziri method (Zairi & Leonard, 1994). The method used in this research study is based on the six-step model for tourism businesses of Cano and Drummond (2000) which is as follows:

- (1) Decide what to benchmark.
- (2) Understand internal processes.
- (3) Decide on best in class.
- (4) Collect data.
- (5) Analyse results.
- (6) Implement actions.

Tourism in Scotland

Tourism in Scotland has grown substantially over the last 30 years, and currently accounts for over £2.5 billion expenditure each year (Scottish Executive, 2000). The industry mainly comprises small, independent businesses in the diverse sectors of accommodation, attractions and events, travel and transport.

The nature, size and location of these organizations often lead to poor communication among the sectors. The opportunity for developing the communication system and encouraging the process of 'learning from others' is further hampered by the structure of the public sector tourism organizations charged with strategic development and marketing of the tourism industry.

Tourism performance in Scotland has been poor over the last few years when compared with other European and competing destinations. This situation has been exacerbated by the strength of the currency and the recent outbreak of 'foot and mouth' disease.

The research in this study reflects the current needs of the tourism sector at large and it was undertaken with the intention of providing a platform for learning from others and sharing best practices.

Profile of participating businesses and their core competencies

Business A is an hotel which, like many rural businesses in the Scottish hospitality sector, is not sufficiently close to a large centre of population to attract great numbers of people. The business has adopted a strategy of developing a high product and service quality that people are prepared to travel for—not just on one occasion but repeatedly. In addition, the attention

to identify customer needs through staff training and the high level of customer satisfaction has resulted in very high customer loyalty.

Business B is a Scottish-based tour operator selling package holidays direct to the public, rather than through the conventional route of the travel agent. It offers departures from 19 airports throughout the UK and Ireland and carries over 1/2 million passengers to the most popular resorts. The business is one of Europe's fastest growing holiday companies and it certainly leads the way in attracting new business.

Business C is a new visitor attraction. The visitor attraction design is very modern, and every detail is original with a view to entertain, to educate and to inspire. The 'hands-on', interactive nature of the organization makes it an excellent example of best practice in innovation, and the organization considers that the adoption of innovation as a core competency is essential given the nature of the attraction, and the need to ensure future growth.

The perceived core competencies of the three businesses are customer loyalty, attracting new customers and innovation, respectively. According to Watson (1993), a company should concentrate its resources on monitoring those benchmarks that indicate performance in core competencies.

Customer loyalty gives improved opportunities for identifying customers and provides a means of closing the service gap by improving communication between service provider and consumer.

It is important to distinguish between customer satisfaction and loyalty. Customer satisfaction is a prerequisite for loyalty. The customers' expectations must be met or exceeded in order to build loyalty. To develop loyal customers managers must have *extremely* satisfied customers. Research by Reichheld and Aspinall (1993/94) found that 90% of customers who change suppliers were satisfied with their previous supplier. In addition, Heskitt *et al.* (1997) found that on a five-point scale, with 5 being very satisfied and 4 being satisfied, less than 40% of those rating the service a 4 intended to return while 90% who rated the service a 5 intended to return. This implies that managers should not be satisfied with a 4—if they want to get loyal customers they must get 5s. Furthermore, according to the research carried out by Reichheld and Sasser (1990), by reducing customer defections organizations can improve profits from 25 to 85%.

Attracting new business is crucial to remaining competitive in the tourism industry. The cost of attracting new business can be high but if it is built in to the business strategy then it can be offset by the success in retaining customers and innovation. Some businesses excel at this activity by removing barriers, improving access and using technology to shorten the distribution channel.

Innovation is critical in the tourism industry because all products eventually decline and consumers become increasingly sophisticated and seek new products. However, the risk of failure is high and a process to manage and develop innovation should be introduced. Innovation can be achieved in a number of ways but the process generally involves idea generation, screening, development and testing, test marketing and commercialization (Kotler & Armstrong, 1997). Innovation can come from internal sources, by building relationships and partnerships with customers and suppliers and by seeking inspiration from competitors.

Method

It is essential that a framework be devised for the benchmarking exercise to provide a focus for the benchmarking effort, to drive the process forward to the production of useful results and to provide a base from which future improvements to the method can be derived.

The diversity of tourist operations, both in size and in the nature of their operations, makes it difficult to apply the well-documented benchmarking approaches. In particular:

- It must be possible to derive worthwhile results with the modest resources available to the smallest organizations.
- It may not be possible to benchmark directly comparable operations. Hence quantitative performance measures and targets are unlikely to be appropriate.
- The availability of benchmarking partners may be limited. The key question is to ask ‘What can we learn from this organization?’ rather than, as in classic benchmarking studies, ‘What are our key processes, who are the leading exponents, and what can we learn from them?’

The method adopted for the benchmarking study is illustrated in Fig. 1.

The starting point was a SWOT analysis of the partner organizations. This confirmed that each organization possessed strengths which included retaining customer loyalty, attracting new customers and innovation.

A focus group was used to identify indicators of these broad competencies by asking the question ‘What would be the characteristics of organizations which had such a strength?’ The indicators were derived from both individual practical experience and group discussion. For example, in the case of customer loyalty, the focus group findings echoed the findings of Heskiti *et al.* (1997) in that loyalty is determined by excellent customer service. The dimensions of service quality in the Servqual model (Parasuraman *et al.*, 1991) of customer service, with which the focus group were familiar, informed much of the group’s thinking.

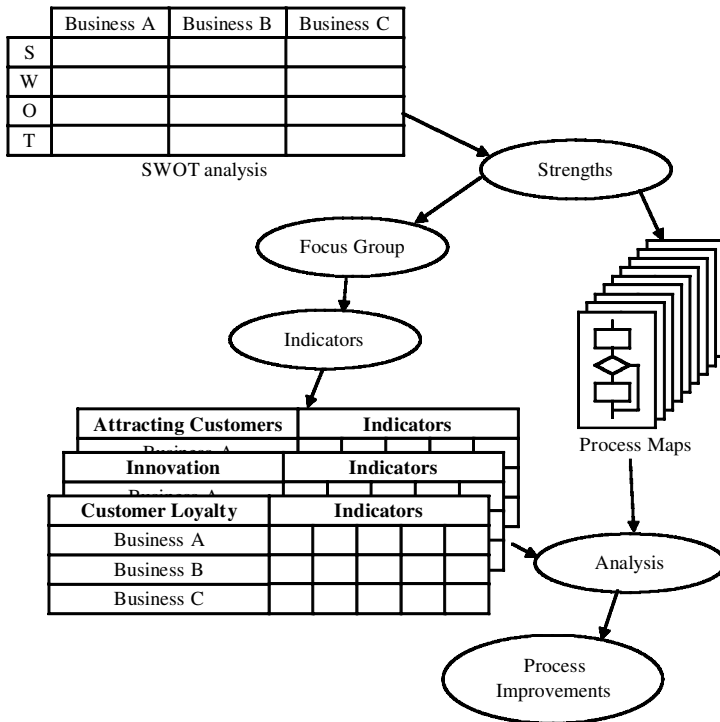


Figure 1. Benchmarking method.

By contrast, the group identified an indicator for attracting new customers which related to the formation of business partnerships. This was derived from the practice, within business C, of attracting customers through sponsorship of exhibits.

The final sets of indicators were as follows:

Customer loyalty:

- Tangible aspects of service delivery meet or exceed customer expectations.
- Services are delivered dependably and accurately.
- Staff are helpful and provide a prompt service.
- Staff are knowledgeable and courteous, and convey trust and confidence.
- Customers are provided with caring, individualized attention.
- Links with the customer are maintained between acts of service delivery.

Attracting new custom:

- Business partnerships are formed.
- The organization knows its customers.
- Marketing media are appropriate to the customer.

Innovation:

- Employees are from diverse backgrounds.
- Social relations are maintained with other organizations.
- Ideas from a member of staff are followed through.
- The organization is prepared to take a risk.

In parallel with the focus group, processes relating to each of the competencies were mapped for each of the organizations, giving a total of nine process maps. These were:

- Customer loyalty: customer experience in a basic service operation.
- Attracting new customers: the process of advertising the product or service.
- Innovation: the process by which new ideas for promotion are derived.

Finally, matrices were drawn up which allow processes to be analysed by asking two questions of each process:

- (1) Can the process be strengthened by modifications related to the indicators identified by the focus group?
- (2) Can elements of the process used by the organization possessing particular strength in this area be adapted for use by the other organizations?

Consider, for example innovation. The first indicator suggested that, in an organization where innovation is a strength, employees are from diverse backgrounds. The process map for business B showed that innovation is driven primarily by customer complaints. The first question would therefore be 'Is there any part of this process which could be strengthened by ensuring that those taking part in the process come from more diverse backgrounds?' This gave rise to the following possible questions:

- Is it possible to rotate staff in the Customer Service Department to include customer service representatives?
- Are all staff given an opportunity to comment on the preventative measures adopted?
- Is it possible to diversify the staff involved in assessing the feasibility of the innovations suggested?
- Is it possible to include staff from support departments, or from outside the organization, in the continuous improvement and innovation process?

The fourth indicator of innovation was identified as 'The organization is prepared to take a risk'. The leader in terms of innovation was business C. The second question to be asked, therefore, is 'Can elements of the process by which business C demonstrates its willingness to take risks in innovation be adopted by other organizations?' The process map for business C shows that innovations are subject to a formal feasibility study. Possible improvements therefore include the use of formal feasibility study techniques by the other businesses, which include formal assessment of risk.

Discussion

The method outlined above was carried out on a research basis and constitutes a pilot study. The authors propose that, to realize the benefits of the method, the following five-stage procedure should be adopted:

- (1) A workshop to carry out SWOT analysis of the participants; to identify indicators for the strengths identified and to identify business processes relating to these strengths.
- (2) Process mapping of the identified key processes (carried out at each individual site). The emphasis here is on the businesses taking ownership of this activity with facilitation by experts as required.
- (3) A workshop to analyse the maps in terms of transferable best practices using the matrices identified in the method.
- (4) Individual businesses will then implement the findings with the help of the other businesses as well as the external experts.
- (5) Evaluation and feedback. It was felt that a review meeting was not only useful in disseminating the results and evaluating the success criteria, but also in terms of starting new projects for the parties involved.

The research has sown the seeds for improvements in the areas of customer loyalty, innovation and attracting new customers, and the anticipated benefits are now being realized.

It was found that it was not just the formal approach outlined above which yielded results. The method used has much in common with the creativity techniques of brainstorming and morphology and this gave rise to ideas on best practices on businesses other than those of the participants. Furthermore, the synergistic approach has resulted in the development of informal partnerships enabling the potential for future collaborative ventures. Currently, there is an initiative to develop further clusters in various sectors of the Scottish economy, one of these being the tourism industry. The approach described resulted in the potential for a cluster development.

Conclusions

The research presented has shown that it is possible for organizations to learn from each other using an effective but low-cost structured approach. The method adopted provides:

- A formal structured approach, which achieved useful results in the transfer of core competencies among the three organizations. The core competencies were associated with customer loyalty, attracting new customers and innovation.
- A successful combination of benchmarking and creativity techniques.
- A focus for cross-organizational team building which is closely aligned with the current policy of cluster development in the Scottish commercial environment. This has enabled the three businesses to develop a relationship facilitating future ventures.

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