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**Customer service: from theory to practice**

**Diploma Thesis**

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## **Affirmation**

I declare, that my diploma thesis on topic

### **Customer service: from theory to practice**

was prepared by me and led by Ing. Richard Selby. All the materials cited and used are in the reference list.

Prague 8.04.2010

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**Customer service: from theory to practice**

**Péče o zákazníky - Z teorie do praxe**

## **Summary**

This diploma thesis deals with the problem of customer service in itself, but also analyses it as an activity, a performance measurement, and a philosophy. It brings out what is and what customer care consists of. It includes the characteristics of the most important features which relate to customer service activity. It emphasizes the importance and contribution of customer service. It summarizes the given problems both abstractedly and with the help of practical instance (case study), where a SWOT analysis was implemented. The task of this work is to give comprehensive information concerning the problem and give a reasonable personal opinion of it.

## **Key words**

Customer, customer service, customer loyalty, loyalty programs, CRM, customer-centric enterprise, customer service support tools, tourism, hotel.

## **Souhrn**

práce se soustředí na problém zákaznického servisu a také analyzuje jeho aktivitu, hodnocení činnosti a jeho filosofii. Diplomová práce vysvětluje co je a z čeho se skládá zákaznický servis. V práci je zahrnuta charakteristika nejdůležitějšího rysů, které se vztahují k činnosti zákaznického servisu. V práci je kladen důraz na důležitost a přínos zákaznického servisu. Diplomová práce shrnuje problémy abstraktně i prakticky (viz. dotazníková studie); v praktické části byla použita SWOT analýza. Cílem této práce je získání komplexního porozumění daného problému a podání vlastního názoru na daný problém.

## **Klíčová slova**

Zákazník, zákaznický servis (služby zákazníkům), zákaznická věrnost, věrnostní programy, správa vztahů k zákazníkům, podnik zaměřený na služby zákazníkům, pomocné prostředky zákaznického servisu, cestovní ruch, hotel.

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## **1. Introduction**

The topic **Customer Service** has been chosen by me because of the points listed below.

Customer service term has become a standard part of our vocabulary and a broad activity. It is one of the most important issues concerning businesses in every market. The common theme is meeting the customers' requirements and ensuring that all aspects of the business contribute to customer satisfaction. If customers are satisfied with the product and the standards of service they receive, they will return to the company again and again- for major and minor purchases.

It brings benefits both to customers and service developers. That is why this issue should not be undervalued. In future the role of customer service in the world economy is likely to become even more important and will become the core of every successful business.



## **2. Aim and Methodology**

Excellent customer service isn't just an art, it is also a science. It goes far beyond human nature and a good attitude, incorporating important communication, transaction and leadership skills that any business can put into practice. The aim of this thesis is to provide a more detailed picture of customer service, firstly analyzing it as theory, including the main terms and definitions, and later on transforming - theory into practice, using the case study as a research method. As a stepping stone for my diploma thesis I have used the bachelor thesis on the topic: "Customer care - activity, performance measurement, and a philosophy", however, in this thesis I decided to analyse the customer service on example of a tourism industry as the one of the most essential and developed parts of the Czech modern economy, in particular on the example of a 4\*\*\*\* hotel "Nabucco", located in Prague, Czech Republic. The company was observed and its customer service policy was analyzed over 2 months, when questionnaires were filled in, employees and managers interviewed and observation data were collected. The case study method implemented within the existing organization allows connecting the theoretical assumptions we have with the reality, to understand how the whole customer services system works. SWOT analysis underlines the possible problems that may occur in the company having a customer service as a base.

### **3. Literature summary**

This chapter includes the definitions of the main terms connected customer service. The definitions used are mainly from the scientific works of the experts in this field.

#### **3.1. Customer**

As a brief introduction into the topic it would be useful to identify a customer firstly.

*“Customer is a person, company, or other entity which buys goods and services produced by another person, company, or other entity”. [12]*

According to the Customer service institute a customer is: *“somebody who receives customer service from a service deliverer”*. [12]

Generally it is easier to see a customer as a person but sometimes an organization can be a customer. In most cases a customer or his or her organization is paying directly or indirectly for the service that is being received.

If a customer is a private individual or comes from another organization he or she is an external customer. If a customer comes from another part of the same organization he or she is called an internal customer. [12]

#### **3.2. Customer service**

Customer service is usual called customer care in daily life

*“Customer service is the sum total of what an organization does to meet customer expectations and produce customer satisfaction”*. [12]

Many attempts have been made to define customer service. Most definitions take the organization as the central focus point, but lately among the customers raised an idea that foremost the customer service should be for customers.

The definition of customer service from the customer's point of view:

*"A customer defines good customer service as how she perceives that an organization has delighted her, by exceeding to meet her needs". [12]*

Customer care has two aspects:

- a) The physical means of delivering customer service;
- b) The attitude of staff.

These two aspects can not be analyzed separately. A company wishing to improve its standards of customer care could set up a customer care hotline to handle queries or complaints – that would be the physical part of the equation; but if the attitude of staff who manned the hotline was unsympathetic, the customer care benefit could be lost. That is why a company that wishes to implement an effective customer care strategy should look for a balance between the two. [2]

Customer care can operate in a variety of ways:

- a) Offering customers the products and services that reflect their real needs;
- b) Offering greater levels of convenience which make it easier for customer to buy from the certain company;
- c) Providing a customer service centre where customers can make enquiries or complain;
- d) Improving the overall quality of service so that customers recognize a change in performance. [2]

The definition of customer service activities in recent years has broadened to encompass many activities. For a long time, the words “customer service” were used only in the positive sense, meaning that a good customer service that was prompt, efficient, pleasant and helpful. In today’s economy, the two words can be modified by an adjective. There’s good customer service, and there’s bad customer service.

Customer service can be identified in the following points:

### **3.2.1. A new choice**

With adjectives describing good or bad service, in use, consumers have a new choice: to buy good or bad customer service.

With consumer choice come the standard economic concepts of supply and demand and pricing. Consumers will now choose and pay for good service.

With this concept of choice on the customer service side comes the traditional role of competitors, even in activities that have historically monopolies.

### **3.2.2. Way to profitability**

Finding new customers is an expensive business which is why it pays to invest in hanging onto your existing clients.

Though superior customer service doesn't bring immediate profit it is oriented on a long-term relationship with a loyal customer. Good service can also give small companies a lead over their bigger rivals.

Research shows that businesses spend six times as much on recruiting a new customer as they do on retaining an existing one. Every business - no matter how small - should have a strategy for dealing with customers. Listening to customers can help in all areas of business from developing new products to finding out more about competitors.

According to studies by the TARP<sup>1</sup> only four percent of unsatisfied customers complained to the company and the other, 96 percent, do not complain, they just go somewhere else, only nine percent of the unsatisfied customers go back, 91 percent left forever. When losing its customer a company loses its possible profit. The study also

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<sup>1</sup>TARP- the USA's premier customer service research company, pioneers in the field of customer satisfaction, innovators in the field of customer interaction. [34]

found the alarming finding that dissatisfied customers tell eight to ten people about their unsatisfactory experience. On the other hand excellence in customer service can help businesses to retain customers. As satisfied customers, they will recommend you to others, which is a good advertisement resulting in an increase in new business. By focusing attention on the customers that have the highest potential lifetime value, company can improve profitability. This puts the importance of keeping one's customers pleased in perspective. [1, 21]

### **3.2.3. Measurement of service**

Profitability can be determined by many measurements, depending on a company's or organization's goal: return on equity, net profit margin compared with competitors, compound asset growth, compound equity growth, return on total capital, dividends, share of the market growth, earnings per share, and so on. Customer service does not have this range of concrete measurements. It is possible for a group of people to agree on one or two top performers in a given field in terms of customer service. An attempt to measure the service is obvious when the customer compares two products from different companies, usually competitors. The service ratings a consumer might give both companies relate to their own experiences, with the products of the two companies, with advertising they have seen, or be based on word-of-mouth advertising from friends.

### **3.2.4. Future measurement**

The process of installing concrete measurement standards, however, has begun and is well under way. At the Marriott hotel, for example, guests find a card to order breakfast and hang outside the door before retiring. The card states a service guarantee. If Marriott delivers a guest's breakfast more than 15 minutes late, the breakfast is free. In this way, Marriott is giving birth to a concrete measurement of customer service for the delivery of room service breakfasts in the hotel industry.

But at present there are still no concrete measurements proving that to be highly profitable, a company or organization must deliver superior customer service.

Other factors cloud the issue:

- If all the companies or organizations in a particular field are offering poor customer service, there is often no catalyst to change, no motivation for improvement. If none of the competitors “rock the boat”, if consumers find equal dissatisfaction with all companies in the field, and if consumers do not find ways of comparing the service levels in this field with service levels in other field, the situation could continue.
- Other factors affecting profitability, overriding market or world economy could cause a company or organization to be profitable while delivering poor customer service or be unprofitable while delivering superior customer service.
- Some customer service factors can hardly be, or even, never quantified. Until such factors are translated into measurable factors, good or bad customer service will be a subjective and sometimes emotional rating.
- Monopolies exist. Even delivering terrible service, they can be profitable.
- Nonprofit organizations also engage in service delivery, both good and bad. Most of these organizations have some measure of success other than profit. Contribution goals are an obvious measure of success.
- Timing is a factor, as is the problem of evaluating short-term versus long-term profits. If a company’s customer service levels deteriorate and customers turn to competitors, swift cost-reduction measures or prompt actions to sign up new customers can prevent the deterioration in service from showing on the bottom line. But when there are no further cost-reduction measures to take or new customers to sign up, the impact will fall to the bottom line.<sup>2</sup>

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2. The line in a financial statement that shows net income or loss. [3]

### **3.2.5. Quality**

Philip Crosby, in his book *Quality is Free* defines quality, whether in manufacturing or service, as “doing things right the first time. Quality means conformance, not elegance. Quality is not only free, it is an honest-to-everything profit maker. Money you don’t spend on doing things wrong, over, or instead becomes the input to your profit”. [1]

### **3.2.6. Reality and performance**

Despite the growing evidence that good customer service affects the bottom line, each day mistakes are made and the following activities take place:

- thousands of employees go to work to face customers and deliver mediocre or poor service;
- thousands of employees go to work to sit in offices where they never speak to a customer, and never once think about a customer in regard to their work;
- thousands of middle managers manage these employees, condoning by their very presence mediocre or poor service or total lack of concern for customers;
- hundreds of chief executives and senior managers spend long hours in meetings, analyzing numbers, making massive short-range and long-range decisions, planning strategies, lining up financing, but never talking about the service their companies deliver to customers;

There are some common excuses for the poor customer service:

- The company is satisfied with its achievements (market share, profit, turnover), which are assumed to be a maximum limit that could be achieved;
- Comparing the results with the previous years (a lot of factors should be taken into account), getting satisfied with a better result, even when there is a vast room for improvement;

- No motivation for changes if prices and products are equal to or superior to those of the competitors;
- Customer service is time-demanding;
- Only some employees are really interested in customer service, workers only bring the service, not create it, they are not aware of its importance and are not motivated by managers;
- Much stronger emphases on the technological progress and profit than on the customer service development and improvement;
- Threat of becoming a slave to customer needs. [1]

### **3.3. Customer service delivery**

It would be very easy to introduce customer care slogans and encourage staff to demonstrate customer care, but this action would be wasted without an understanding of what customers actually needed. Customer care is more than wearing a smile and wishing someone a nice day. Customer care is meeting customers' real needs and the hardest part is to identify those needs. That is why it is vital to get the right people to deliver service.

Usually the quality of the customer service, one gets, is considered to be tightly connected with the person/employee you get it from, however, the level of customer service depends on the whole organization, not individuals. That is why it is necessary to have a measurable standard of service and make sure that staff works towards it, to invest in training so that everyone is aware of the importance of customer care and to remind staff to put themselves in the customer's shoes. One of the main problems is that due to the lack of motivation employees usually are weakly interested and see no interest in improving the overall level of service. That is why encouraging employees to use their initiative and let the rest of the business know when something has worked well - or if it hasn't might become a good strategy.

In reality the customer service delivery system contains the following elements:



- Chief executives;
- Delivery personnel;
- Support personnel;
- Middle management. [1, 2, 3, 5]

### **3.4. Customer service support tools**

Customer Service tools are highly valued by today's most effective leaders. Effective service tools help to ensure a strong service environment based on client trust.

Technology has made a wide range of customer service tools available. They range from support websites and the ability to have live chats with technical staff to databases tracking individual customers' preferences, pattern of buying, payment methods etc.

Among the most support tools often used are:

#### **3.4.1. Traditional Phone Support**

Despite the advances in technology, there may always be a need for the person-to-person contact provided through traditional phone support. Although the percentage of inquiries addressed via the call center may decrease or be deferred to another channel, it is still very important to offer this support channel to your customers. Otherwise, customers may feel limited by the assistance they can receive, which affects their perception of the company and its products.

Depending on the number and quality of customer service representatives, the effectiveness of a call center can vary. If the representatives are well trained and the tools being used enable accurate and timely responses, the call center can serve as an excellent form of customer support. It is critical that call center representatives provide customers with the most up-to-date information possible.

Positives

- Easy for customers to use;
- Immediate response;

- Great communication medium;
- Customer control;

#### Negatives

- Cost;
- Personnel requirements. [2, 3]

### **3.4.2. Email support**

Email support has been a roller coaster ride for both companies and consumers. The initial expectations of cost savings and apparent ease of email correspondence have been overshadowed by the mounting problems. Companies have found that instead of an email coming into support requiring a single response for an answer, an email dialog occurs, with each interaction costing more and taking more time.

#### Positives

- Automated email responses;
- Cheaper than phone support;
- Good option for people online;

#### Negatives

- Unpredictability;
- Potential costs;
- No immediate response;
- Personnel requirements;
- Inconsistent responses. [2, 3]

### **3.4.3. Chat Support**

For those used to the concept of “instant messaging”, live chat is becoming more available as a support touch point. While the results are mixed, both by users and companies deploying chat, it seems to have an appeal to a certain market. Chat typically requires a download and some segments of the population do not feel comfortable with this concept.

#### Positives

- Least expensive form of live support;
- Good option for people online;

#### Negatives

- Software requirements;
- Inconsistent answers;
- Personnel requirements;
- Limited audience appeal. [2, 3]

### **3.4.4. Self-Service**

Self-service is a rapidly growing industry that enables users to find answers to their questions via the web, kiosks, automated phone systems, and more. While effective for its own purpose, it is not designed to provide a direct response to customer enquires or standard human conversation.

A primary purpose of self-service is to address commonly asked questions, and greatly reduce the number of inquiries being answered via more costly support channels – primarily email and phone. Although some customer inquiries require person-to-person assistance, and some companies want to drive high-value customers to personal interactions, the great majority of inquiries is derived from a relatively known subset of

information and can be answered by an automated solution. A highly automated and well-organized web-based customer self-service can significantly reduce the cost of customer service operations while giving customers faster access to the information they require. Self-service is a form of automated customer support that simulates live support.

It is considered to be an effective and economical alternative. As companies are directing more business to their websites, self-service is fast becoming a necessity for successful retail and consumer-oriented organizations,

Positives

- Incredible cost savings compared to other service tools;
- No software or user skills required, easy to use;
- Autonomous implementation and maintenance;

Negatives

- Confusing with possible search, page navigation difficulties. [1, 2, 4]

#### **3.4.5. New channels of distribution used**

Many companies have started to use new channels to capture customer feedback. With record number of people now communicating through mobile phone and sending texts, many argue that the next wave of customer feedback will primarily be captured through channels familiar to most consumers, such as mobile email and SMS. This will enable companies to track the opinions of their customers much more easily and gain valuable insight into how to improve service quality and enhance the customer experience. [3]

#### **3.5. Customer loyalty**

Only having high-skilled employees in a team will lead to a customer's satisfaction with the service. Many companies argue that high satisfaction equals loyalty, there are no

studies that show a clear positive correlation between the customer satisfaction and customer buying behavior. However customers may express high satisfaction level with a company, but still not be loyal.

What does customer loyalty mean?

In reality there is no clear cut definition of customer loyalty, however there are some key words:

- Preference;
- Consistent relationship over time;
- Frequency.

According to the Institute of Customer Service: *“Some customers tend to return to the same service deliverer and this is customer loyalty. Obviously customer loyalty can be built up if the customer experience of an organization has been good”*. [13]

Jim Novo in his work *Drilling Down* argues that customer loyalty: *“is the tendency of a customer to choose one business or product over another for a particular need”*. [31]

Loyalty becomes evident when choices are made and actions taken by the customers.

The focus on customer loyalty has increased drastically over recent years. Companies have realized that price and quality are competitive advantages that can easily be copied, and have searched for other ways to reach success. Creating customer loyalty has become one way to reach advantages in the competitive market place that are current today. The most common strategy to build customer loyalty is loyalty program implementation.

### **3.5.1. Customer loyalty programs**

Loyalty program- *“a program designed to lower the turnover among users of a product or service by rewarding a customer with incentives or other benefits for remaining a customer”*. [31]

The use of loyalty programs has increased substantially. Loyalty program should integrate the entire organization. Loyalty programs can be based on many different activities which together will contribute to increased customer loyalty.

A lot of authors argue about loyalty programs and their objectives.

According to Kotler loyalty programs operate differently from other marketing efforts such as advertising campaigns and sales promotions, where a short-term increase in sales is the main goal. Loyalty programs put their emphasis on building a repeat-purchase relationship with the customer and encouraging loyal behavior towards the company.

The goals of a loyalty programs obviously differ in different companies, however common outcomes to be expected from a loyalty program are:

- Increase repeat-purchase rates;
- Decrease in switching to other brands;
- Increase usage frequency [5].

According to Butscher the main goal of a loyalty program is to increase profit, revenue and market share. Other important goals are customer retention, attract new customers, getting information about the customer, and creating a communication channel between the customer and the company [4].

Griffin states that increased loyalty can bring cost savings to a company in five areas;

- Having loyal customers a company does not need to spend capital on customer acquisitions, which reduces the marketing costs;
- Economy of scale gives lower transaction costs, such as contract negotiation and order processing;
- With fewer customers leaving the company, the organization will experience reduced customer turnover expenses;

- More satisfied customers lead to more positive word-of-mouth, which studies shows is the most influential aspect in the purchase decision process;
  - Better knowledge about ones customer leads to reduced failure costs.
- [31]

Duchessi points out that to be successful in today's business world all companies must create value for their customers. That is the key to success. It costs five times more to acquire a new customer rather than retaining an existing loyal customer that makes regularly purchases. This is due to the fact that companies often invest large amount of money in advertising, promotion, sales calls, and channel development to get an initial trial purchase. Every time a company loses a customer to their competitor the company loses its initial investment and incurs a substantial cost to replace him or her. [10]

### **3.6. CRM**

There are many different terms when it comes to customer loyalty, Relationship Marketing(RM), Defensive Marketing (DM), Customer Relationship Management (CRM), retention marketing and "one-to-one marketing" are just a few.

However CRM still remains among the most commonly used.

*"Customer Relationship Management (CRM) is an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized and efficient manner" [1, 3].*

In many cases, an enterprise builds a database about its customers. This database describes relationships in sufficient detail so that management, salespeople, and customer service reps can access information, match customer needs with product plans and offerings, remind customers of service requirements, know what other products a customer has purchased etc. [3]

There are three parts of application architecture of CRM.

### **3.6.1. Operational CRM**

Operational CRM means supporting the so-called "front office" business processes, which include customer contact (sales, marketing and service). Tasks resulting from these processes are forwarded to employees responsible for them, as well as the information necessary for carrying out the tasks and interface with the back-end applications being provided and activities with customers are documented for further reference. [3]

### **3.6.2. Analytical CRM**

In analytical CRM, data gathered within operational CRM are analyzed to segment customers or to identify cross- and up-selling potential. Data collection and analysis is viewed as a continuing and iterative process. Ideally, business decisions are refined over time, based on feedback from earlier analysis and decisions. Business Intelligence offers some more functionality as separate application software. [3]

### **3.6.3. Collaborative CRM**

Collaborative CRM facilitates interactions with customers through all channels (personal, letter, fax, phone, web, e-mail) and supports the co-ordination of employee teams and channels. It is a solution that brings people, processes and data together so companies can better serve and retain their customers. The data/activities can be structured, unstructured, conversational, and/or transactional in nature. [3]



### **3.7. CRM and Customer-centric enterprises**

True CRM creates a customer-centric enterprise - *an organization that revolves around its customers.* [18] But not just for the customers' sake--for the good of the company as well.

A customer-centric enterprise uses business strategies throughout the organization to best serve customers. These strategies and the technology tools that support them lie primarily in sales, marketing, and service. However, many will argue that without integrating front-office tools and data with the back office, companies cannot truly benefit from CRM. And when these many disparate systems are brought into the shared CRM system, they present a unified view of each customer to all those inside the enterprise who will touch him. This will allow the company to understand and serve the customer better, at a lower cost with better results. [18]

### **3.8. Customer Service Worldwide**

During the last few years the customer service role has become an essential part of every successful business, as a result more and more organizations where customer service and its standards are the main objectives have spread over the world.

- The Institute of Customer Service (ICS)
- Customer Care Institute
- Service Quality Institute
- The Customer Service Institute (CSI)
- International Customer Service Association (ICSA)

Those are the professional bodies for customer service. Their main purpose is to lead performance and professionalism in customer service. [13]

#### **4. Tourism Role in the European Union. Facts and figures**

As far as the aim of the thesis was to combine theory with a practice on the example of the hotels industry, the short analysis of the tourism sector and its role in the EU and the Czech Republic would be rather useful.

In the modern world when the development of services and their role plays a crucial role in every economy, tourism importance has grown up significantly throughout the countries and continents. It takes a special important place in Europe, a continent concentrating enormous amount of historical attractions and memorable places.

When it comes to an economical point of view, tourism<sup>3</sup> is an important economic activity with a high potential of contributing to higher employment and economic growth as well as to development and socioeconomic integration also in rural, peripheral or underdeveloped areas. In the Balance of Payments, travel is one of the main items within the services current account. It differs from other components in that it is demand-oriented, as consumers "the traveler" move to the location of the service provider "the destination being visited" [22].

Europe is the largest tourism destination in the world with a market share of around 52.2% in 2009 and generating around 50.1 % of international tourism receipts, representing some 459 million international arrivals (according to UNWTO, World Tourism Barometer, as of June, 2009). [24, 35]

In recent years, the hospitality industry has been one of the fastest-growing sectors in Europe not only in the terms of the GDP share, producing 5% directly and 10 % indirectly of European GDP, when related sectors are taken into account (according to EUROSTAT), and revenues, resulting EUR 322 billion in 2008 (according to the UNWTO World Tourism Barometer as of June 2009), but as well in terms of employment, providing about 12% of the labour force. The tourism industry has experienced the growth of total amount of persons employed by more than 1.6 million

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<sup>3</sup> Tourism is travel for recreational, leisure or business purposes or the business of providing tours and services for tourists.[7]

from 7.4 to 9 million employees in years 2003-2009. The hospitality industry is very labour intensive which means that growth has a strong employment impact.

Hotels and restaurants are obviously an important component of the tourism industry, although it should be noted that restaurants serve locals as well as tourists, as well as being among the major employers of young people: about half of the work force is below 35 years of age. There are more women than men working in the sector (55 and 45% respectively). Almost 71% of employment contracts are full-time. Hospitality enterprises in the European Union are predominantly of small and medium-size, both in terms of turnover and workforce: 99% have less than 50 employees and as many as 92% have fewer than ten workers on their payroll, those are defined as “micro-enterprises”. In the European Union tourism sector there are about 2 million firms, providing 8-9 million jobs directly and approximately 20 million indirectly, this figure stands for almost 6% of total employment (according to EUROSTAT as of June 2009).

However global financial and economic crisis has influenced the tourism industry dramatically. After analyzing the economic performance, the year 2009 was called the year of challenges, having a 4.3% decrease in international tourist arrivals, and 6% negative growth in international tourism receipts, showing positive growth only in Africa. Even if the growth returned in the last quarter of 2009 after 14 consecutive months of negative results, the economic recovery still remains fragile. Output, household disposable incomes and employment remains at low levels. It will take time to recover previous highs in economic activity. That is why international arrivals to Europe are not expected to recover to their previous peak levels until 2011. Expected demand in the hotels and restaurants sector remains negative for both the EU as a whole and the eurozone, nevertheless, expectations have improved. [20, 21]

The hotel industry is of course not able to respond to lower demand by cutting supply. According to the latest EUROSTAT survey, the travel industry across the EU is not expecting recovery yet but the optimistic trend considering the short term has been observed. The largest improvements have been observed in the eurozone countries, one of the possible reasons might be the currency volatility affecting the situation. The optimistic trend within the eurozone countries may have the currency union as a feedback, which may be protecting these destinations from some uncertainty eliminating exchange rate fluctuations within the zone, and reducing those against other currencies liable to be suffered by individual countries. [22]

Except the global financial and economic crisis there are many other reasons influencing the traveling trends and tendencies, among them can be named the worldwide oil price per barrel, which is much more expensive than airlines were used to, however, within Europe, the strengths of the euro in part offsets higher oil prices, that is why it can not be seen as a major issue affecting travel and tourism demand. When it comes to the reasons affecting the tourism tendencies globally the A (H1N1) influenza “pandemic” can be named; some of the destinations suffered disproportionately in the early stages of the virus emergency (i.e. Mexico, East Asia and the Middle East). The virus could still mutate and become more widespread, which could cause a new downturn as a result. [19]

As one of the other reasons that caused a sharp decline in the amount of people travelling, mainly within the Europe, was the bankruptcy of one of the biggest and the most well-known low-cost airline company SKY Europe Airlines. With bases in Slovakia, Austria, and Czech Republic, it was the first multi-based airline in Central Europe, operating short-haul scheduled and charter passenger services. It was declared as the best low-cost airline in Eastern Europe between August 2007 and July 2008. Though the airline announced on 22 June 2009, it had been granted creditor protection while it restructured its debts. However, this failed and the airline suspended all flights on 1 September 2009. [11]

After the company stopped its operations, it was predicted that its main competitors the Wizz Air Hungary Airlines Ltd. and Ryanair would be able to fulfill the gap left after the SKY Europe bankruptcy, however until now these two companies, named above, still have not substituted all the routes covered by the bankrupted company SKY Europe. As a matter of fact, their failure to substitute SKY Europe can be seen in other points as well, such as pricing strategy, flights frequency and timetable, services offered for their clients, flight destinations, etc.

It is generally believed that the year 2010 should mark the end of the downturn in travel as the global recession has been coming to its end, meaning the period of renewed economic growth for many countries. However, the end of recession does not mean an end to unemployment, fiscal and budgetary pressures, the continued credit squeeze and other factors unfavourable to the growth in travel and tourism demand. That is why more and more tour operators and retail travel agencies are using the internet to reach new clients and to keep the existing ones. The rapid development of technology allows setting up a system for attracting new customers and capturing the growth with lower investment costs and higher effective productivity, making it available even for small travel agents.

#### **4.1. Tourism in the Czech Republic. Basic Overview**

For the Czech Republic, the “heart of Europe”, tourism industry has always played a significant role, both by giving the Czech economy a substantial income from tourism and by providing the Czech population with the job positions for more than 237 thousands of people, which stands for approximately 4.7 % of total amount of people employed in the Czech republic (according to the Czech Statistical Office, as of December 2009). However, the number of people employed in the tourism sector is highly dependent on many factors, among which seasonality is one of the most important. As a matter of fact, number of people employed in tourism in the Czech Republic by seasonality differs a lot when we compare for example August (the high season or a “peak”) with February (the low season or the “off peak”). In year 2009 the amount of visitors in the Czech Republic in August almost doubled in August (765 875) compared to February (403 786).

Foreign visitors can be divided into three groups:

- a) Day-trippers- visitors, who spend less than one day in the Czech Republic, without staying for the night;
- b) Tourists- people who spend at least one night in the country, this group brings the highest profits to the Czech Republic;
- c) People in transit- those people, who are just passing through the country, in order to reach their final destination.

The main reason for visiting the Czech Republic for foreign tourists were mainly recreation and entertainment, visiting friends and relatives, business trip, and other activities. [16]

Share of tourism receipts on GDP in year 2009 was around 3.5 %, as a matter of fact the share of tourism receipts on service receipts has been declining since the year 2008 and in year 2009 that share was only 34.7%.

The Czech travel and tourism industry lost its dynamic pace of growth and became stagnant in 2009. The change was brought about by the strengthening of the Czech currency, which was followed by economic recession and the global financial crisis. The unfavourable economic situation, a sense of uncertainty and a negative outlook for 2009 affected the domestic and outbound travel of Czech citizens, and at the same time the global financial crisis led to a poorer performance of arrivals. [19]

The situation is likely to continue in year 2010, for travel is one of the expenses people tend to reduce first and the most in times of crisis. This will influence both an inbound and the outbound tourism. Travelers are cutting down their expenses on luxury trips and are more and more expected to use cheaper transportation and focus on closer destinations or domestic travel. Probably there will be observed the tendency characterised by more frequent trips with shorter average duration of stay, and reduced spending on all travel services. It has been already proved by the Prague Ruzyne International Airport figures for the first eight months of 2009, showing sharp falls in total passenger traffic at Prague Ruzyne Airport, down by over 10 % compared with the same period in 2008. [19, 21]

In 2009, competition in the travel and tourism industry became very fierce, creating an unhealthy business environment. The crisis affected all businesses, from travel agents to restaurant owners, and of course the most competitive market of travel accommodation. The average occupancy rate and daily rates declined sharply. In the battle for customers, hotels were forced to lower prices substantially. The price war led to the closure of some cheaper hotels, and left many owners unable to make loan payments for their investments. Several hotel openings planned for years 2008-2009 were postponed to uncertain time in the future. It is expected that in the coming years, the travel accommodation market will become significantly more consolidated, with many hotels being sold to chains, foreign and local investment companies, and dozens of hotels going bankrupt. [19, 20, 22]

## **5. Organisations and Association in the EU and the Czech Republic**

### **5.1. HOTREC**

The contribution of tourism to employment and regional development as well as to other important EU objectives, such as sustainable development, enhancement of the natural and cultural heritage and the shaping of European identity, has been recognised by all EU Institutions on numerous occasions. That is why numerous associations and organizations have been established not only at the national but multinational and global levels as well, mainly having their goals to develop and protect existing standards in the industry of tourism.

When it comes to the international level the most prominent and powerful organisation is HOTREC.

HOTREC is the trade association of hotels, restaurants and cafes and similar establishments in the European Union that brings together 39 national hospitality associations in 24 countries across Europe. HOTREC is constituted under Belgian law as a not-for-profit association. [24,27]

#### **5.1.1. Objectives**

The objectives of HOTREC fall under the following categories:

- promote and defend the interests of the hotel, restaurant and café industry vis-à-vis the EU institutions
- enhance cooperation between national hospitality associations.

HOTREC's main task is to monitor policy developments at EU level that have an impact on the hospitality industry, following their aim to build a legal environment which enables hotels, restaurants, and cafes to develop and provide more jobs and growth to the economy. By gathering sensitive information directly at the source, i.e. the EU institutions, HOTREC ensures that its member associations are kept abreast of any policy developments affecting the hospitality business.



Where the interests of the European hospitality industry are at stake, HOTREC expresses the concerns of its member associations to the EU institutions. HOTREC therefore acts as a representative of the hospitality industry vis-à-vis the EU institutions, in particular the European Commission and the European Parliament. [26]

### **5.1.2. Organisation**

When it comes to organisation the structure of the HOTREC consists of the following bodies:

The General Assembly- the highest decision-making body;

The Executive Committee- responsible for the management of the association. The Executive Committee is chaired by the President. Other members are the Vice-President, the Treasurer, and three ordinary members;

The Secretariat- based in Brussels, is in charge of the day-to-day management of the association and its activities. Led by the Chief Executive Officer;

Social dialogue steering committee- runs HOTREC's sectoral social dialogue with trade-union partner EFFAT, based on the mandate conferred by the General Assembly;

Quality Board- was set up to deal with HOTREC's European Hospitality Quality scheme. The activities of the Board are led by a Chairperson, elected by the General Assembly. [27]

### **5.1.3. Membership**

HOTREC presently has 39 member associations from 24 European countries. There are two categories of membership.

Full membership is reserved for national associations from EU Member States.

Associate membership is open to national associations from non-EU countries inside the European Economic Area. There is also an observer status for national associations from countries whose entry into the EU can be envisaged in the future. [25]

Since 2004 HOTREC and its associations have been working on bringing the hotel classification systems in the various European countries closer to one another. In 2009, 7 countries committed to apply almost identical criteria for their hotel classification and created the Hotelstars Union under the patronage of HOTREC. This makes the system much more transparent, generalized and easier to orient in not only within a certain country, but internationally as well.

## **5.2. Czech Association of Hotels and Restaurants**

When it comes to the national level, the Czech Republic in this case, the responsibility for the quality of the service, its development and representation of the industry both on the national and international levels is carried by the joint, consolidated organization – the Czech Association of Hotels and Restaurants. [14, 15]

The Association was established through a fusion of two entities: HO.RE.KA CR - Association of entrepreneurs in hospitality and tourism and the National federation hotels and restaurants of the Czech republic, two dominant players in the hotel and gastronomy field, after the decisions were adopted by their respective General Assemblies in year 2006, with support from the Ministry for Regional Development, Czech Tourism, the Czech Consumers Association and the Consumer Protection Association. The main reason behind the creation of the Czech Association of Hotels and Restaurants was the need to ascertain and declare the quality and standard of

accommodation facilities in the Czech republic according to categories and classification, and in so doing make the service simpler to navigate for guests and those involved in the business themselves. And even more, the creation of clear categories could serve in future as an excellent tool in forming a fair, market-driven business environment, increasing the transparency. At present this classification certificate is voluntary, however, for the consumer it is a guarantee of a certain level and quality of accommodation and services which correspond to a given category and classification, that is why it is recommended for all domestic and foreign tourists to give the preference to the accommodation providers holding an official standard classification certificate when choosing accommodation. These certified facilities guarantee a level of facilities and range of services and if any of the certified facilities fails to meet the given criteria, clients can contact any of the above organisations with their comments and complaints which will be investigated in due course. [14, 15]

At present, the Association represents accommodation and gastronomic establishments which generate a total turnover of approximately 20 billion CZK, with 39 thousand rooms and over 50 thousand table seats. [14,15]

### **5.2.1. Objectives**

The objectives of the AHR CR correspond with the main spheres covered by the HOTREC, however covering some specific items:

- Optimization of the entrepreneurial environment in the hotel and gastronomic fields;
- Restoring the good name of the industry, especially in the area of gastronomy, and strengthening its social prestige;
- Corresponding position of the Association on the national and international levels – with the Association being the main partner in dealings with state administration and other organizations, both locally and abroad;

- Establishing authority for the regional sections to assert the interests of the gastronomy and hotel spheres in the specific conditions of travel industry, relative to the government administration;
- Development of activities in the Czech regions and in professional sections;
- Remediating the conditions for business competition compared to other industries, combating unfair competition;
- Synergic marketing activities, media cooperation and public presentation of the activities pursued by the Association and its members;
- High quality service for members (information, protection, counseling, monitoring);
- Development of permanent educational activities for members and non-members;
- Support to quality of services and products by their presentation at events and in printed materials, etc. [15]

### **5.2.2. Ethics Codes as the Legislative Frame**

The members of the AHR CR are obliged to respect and support the ethical norms stated in the Ethics Code of the AHR CR, a document summarizing the rules of conduct of its members, who accept it as such prior to entering the association, openly declaring their observance of the established rules, and who are aware of the fact that in the event of their violation and failure to provide due remedy, the Association's Council has the authority to decide upon the termination of the respective membership without any title to compensation of the aliquot part of the already paid membership fee.

The Ethics Code of the AHR CR is working in compliance with the Global Ethics Code adopted by the World Tourism Organization. Both of these codes create a legislative frame inside the industry dealing with the following items:

- the voluntary competition;
- actions towards the remedy and preservation of the good name of the industry;
- observance of ethical norms concerning the consumers and partners they deal with on a professional basis;
- protection of the rights of customers;
- protection of the health of customers and employees;
- attention to the working environment and to the labor-law relations;
- care for the young generation;
- professional training;
- support to local culture and social traditions;
- environment and sustainable development;
- marketing and competitive environment, etc. [14]

### **5.2.3. Certification**

For the period 2006-9, the certificates and classification signs are accorded pursuant to a newly designed system of uniform and official classification of accommodation facilities in the category hotel, hotel garni, boarding house and motel, which has been prepared by the professional confederations HO.RE.KA CR, NFHR CR (today consolidated under the AHR CR) and Unihost, in conjunction with the Ministry for Regional Development and the Agency Czech Tourism.

The certification of accommodation facilities in other categories is controlled by other organizations: Czech confederation of entrepreneurs in provincial and agricultural tourism, Campsites and bungalow settlements of the CR – trade association and the Club of Czech tourists.

This guidance note is not a generally binding rule, it has a recommendation statute, it is up to the operators of an accommodation facility, whether they will undergo the certification process or otherwise. It serves as an aid in ranging the accommodation facilities of the category hotel, boarding house, hotel garni and motel into the appropriate classes according to the set minimum requirements, ranging is carried out by the professional association, following a set of implementation rules. The primary aim of the certification is an improved orientation of consumers - guests and mediators - travel bureaus and agencies, an increased transparency of the accommodation market and an improved quality of services rendered by the accommodation facilities.

The validity of the certificate is 4 years, any certificates issued prior to the year 2006 are invalid.

Price for the conferment of the certificate:

- for AHR CR members CZK 1.500,-
- for non-members CZK 3.000,-

### **5.3. Basic overview of the types of accommodation available in the Czech Republic**

#### **5.3.1. Accommodation Categories**

- *“A hotel is an accommodation facility with at least 10 guestrooms equipped for temporary accommodation and providing services associated with guests’ stay (restaurant facilities in particular).”*
- *“A motel is an accommodation facility with at least 10 guestrooms equipped for temporary accommodation and providing services for motorists.”*
- *“A pension is an accommodation facility with at least 5 guestrooms and a limited range of services.” [29]*

Other types of accommodation:

- campsites
- chalet colonies
- walkers dormitories
- "botels" (boat hotels)

### 5.3.2. Classification of Accommodation Facilities

*	Tourist
**	Economy
***	Standard
****	First Class
*****	Luxury

Each certified accommodation facility is marked with a category symbol (hotel, pension, motel, etc.) and a number of stars (\* - \*\*\*\*\*). The maximum number is five stars which represent the highest category (hotels only), while the highest number of stars motels and pensions can display is four.

The official standard classification of accommodation facilities was created on the initiative of professional associations representing the interests of accommodation facility operators.

When it comes to the detailed requirements classification for individual accommodation facility classes according to the AHR CR they are divided into the following subgroups:

*pov*- necessary requirement

*pv*-compulsory optional requirement

*p*- room requirement

*l*- bed requirement

*uz*- accommodation facility requirement

The detailed requirements classification combines both the analysis of the general requirements for the room equipment and services available at the accommodation facility, taking into account more than 100 criteria.

However, in this thesis we will concentrate mainly on the brief and simplified requirements the accommodation facility has to meet in order to get the required certificate. [28, 29]

**1 \* hotel:**

- Every day cleaning;
- 100% of the rooms have color TV with a remote controller/ possibility to rent a TV;
- A chair and a table;
- Soap or a liquid soap, a towel per person;
- Reception desk;
- Telephone and fax services available for the clients;
- Breakfast offer;
- Drinks menu available in the hotel;
- Safe box.

**2\*\* hotel**

- Every day cleaning and the towel exchange on request
- 100% of the rooms have color TV with a remote controller/ possibility to rent a TV;
- Reading lights in the room;



- Soap/liquid soap or a shower gel;
- 1 small towel, 1 bigger towel per person, shelves for towels;
- Basic hygienic set (i.e. toothbrush, toothpaste, shaving set);
- Credit cards accepted;
- Breakfast in the form of buffet;
- Safe box

**3\*\*\* hotel:**

- 100% of the rooms have color TV with a remote controller, radio;
- Telephone, night table, reading lights in the room;
- Internet access in the room or in the lobby;
- Bathroom heating, hair dryer, cosmetic pads/wipes;
- Big mirror (size of a human height), place for luggage;
- Sewing kit, shoe polish and brushes, laundry services and ironing;
- Extra pillows and blankets on request;
- Reception desk open 14 hours daily, 24 hours daily available on a phone, personnel speaking 2 languages (Czech/1 world language);
- Sitting places available in the lobby, help with the luggage;
- Safe box in a room or on reception desk;
- Restaurant open at least 5 days in a week;
- Comprehensive complaints management system.

**4\*\*\*\* hotel:**

- Upholstered chair/ sofa with a table;
- Cosmetic set (shower cap, nail file, cotton pads), cosmetic mirror, large bathroom shelves;
- Different size towels per each person, slippers on request, tailoring services- minor repairs;
- Internet access, PC services on request;
- Reception desk open 18 hours daily, 24 hours daily available on a phone;
- Sitting places available in the lobby, lobby bar with the drinks menu;
- Breakfast in the form of buffet, room service on request;
- Mini-bar in the room or drinks served via the Room service<sup>4</sup>;
- Restaurant with an “À la carte”<sup>5</sup>offer, open at least 6 days in a week;
- Comprehensive complaints and recommendations management system

**5\*\*\*\*\* hotel:**

- Personal hygienic treatment items in bottles, robe in a room;
- Internet access in a room, safe box in a room;
- Ironing service (up to 1 hour), shoe cleaning service;
- Luggage carrier, doorman, concierge;

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<sup>4</sup> Food and beverages served to a guest in his/her hotel room [9]

<sup>5</sup> A menu having individual dishes listed with separate prices [6]

- Reception desk open 24 hours daily, multi-language speaking personnel (Czech/ at least 2 world languages more);
- Sitting places available in the lobby, lobby bar with the drinks menu;
- Personal greeting of every guest
- Mini-bar in a room, snacks and drinks offer via the Room service 24 hours daily;
- Restaurant with an “À la carte” offer, open at least 7 days in a week;
- Comprehensive complaints and recommendations management system;
- “Mystery Guest” evaluation<sup>6</sup> [28]

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<sup>6</sup> An experienced professional experiencing every aspect of the hotel service through the eyes of a typical guest (pretending a usual client) [8]

## **6. Case study. Characteristics of a chosen organisation**

As the main goal of the thesis is not only a problem description but giving my own evaluation, a practical example would be quite useful, it allows the problem to be seen from the inside. But as any other problem it has two sides (usually opposite): one who delivers the customer service and the one who gets it, due to that fact we will examine both points of view in “How does excellent customer service look?”

It goes without saying that customer service takes part in our everyday life. As the theoretical part of the thesis was dealing mainly with the service standards and its protection in the tourism industry, the analysis will be implemented in one of the local hotels.

Hotel Nabucco- a 4\*\*\*\* hotel, located in Prague 4. Hotel is after complete restoration.

The hotel staff consists of 14 employed people.

### **6.1. Service provider’s view**

Firstly the hotel policy overview will be discussed. The hotel is considered to be among the hotels of a middle class combining the good quality for an affordable price. The hotel sees excellent customer service as an essential part of profitability and success. However they see a strong connection between customer service and marketing. It is essential to identify and understand customer needs, to offer them the product or service that reflects their real needs, as well as offering greater levels of convenience which make it easier for customers to buy from you, in this case to book their holidays and stays in this hotel.

The whole service policy of an examined organisation can be divided according to the marketing mix or the 4P's of marketing<sup>7</sup>:

### **6.1.1. Price becomes cost to the user**

- Low prices when compared to other facilities having similar classification, other 4\*\*\*\* hotels;
- Special offers (hot deals, early booking, group discounts, etc.)
- Different payment possibilities (cash, bank transfer, credit cards, Euros, etc.);
- 20 % discount for V.I.P. clients and loyalty card owners;
- Group discounts. Booking more than 5 rooms at a time (except high season and national holidays), you pay 10 % less than the normal price;

### **6.1.2. Product becomes customer needs and wants**

The main idea is to create a channel between the hotel and a client for direct communication. That allows a strong base to be built, to find out more about the customers and identify their real needs.

For the customer service and support stand the core statements: 1<sup>st</sup> statement: Customer is always right 2<sup>nd</sup> statement: if not - see the 1<sup>st</sup> statement;

- The hotel offers 4 suites, 20 double rooms and 3 single rooms, equipped with the telephone line, satellite TV, mini bar, separated bath or shower and WC;

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<sup>7</sup> Controllable variables which a business can use as tools to assist them in pursuing their objectives. The four P's are: product, pricing, promotion, placement. [33]

- Staff speaks English, German, Italian, Czech and Russian. Every employee speaks at least 2 languages (Czech/ at least 1 world language more);
- Polite personnel, excellent service;
- System of special offers, discounts, bonuses etc.;
- Flexible cancellation policy;
- Greeting cards and emails for our V.I.P. customers on special occasions;
- Thankful emails for choosing our hotel for their stay and holidays;
- Customer support line, where you can make complaints and recommendations by telephone or on-line;
- Transportation services. Hotel taxi service, booking other taxi services (airport shuttles, etc.);
- Opera and concert tickets arrangements. As far as the hotel's name is tightly connected to the life and work of Giuseppe Verdi, an Italian composer, the management of the hotel pays special attention to guests who are arriving to Prague with an interest in classical music;
- Services of licensed guides, sightseeing tours in Prague and in the Czech republic. A wide offer of tours and trips for the main attractions as well as the possibility of individual tours on the request;
- Bar services in the lobby, open 24 hours daily. Room service available on request;
- Internet access in the lobby, Wi-Fi connection in the rooms;
- Air-conditioning;
- Sauna, the beauty studio, massage (more than 10 types available), fitness center;
- Conference hall
- Special packages, each targeting different group of customers:

- “Relax in Prague”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), one hour boat trip, one hour sauna, a 30 minutes massage;
- “Old Prague”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), one hour boat trip, Grand City tour in Prague;
- “Prague for Children”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), small souvenir in a room, ZOO trip (including the tickets, boat trip/transfer to the ZOO and back);
- “Romantic Prague”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), one hour boat trip, traditional dinner with unlimited drinks in the Czech restaurant “Koliba”;
- “Musical Prague”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), live jazz music 3 hour river cruise with buffet dinner included, entrance ticket to the museum of the Czech music;
- “Erotic Prague”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), night in a “Darling Cabaret” with a limousine transfer, entrance ticket to the museum of sex machines;
- “Prague for Young”. The package includes: welcome drink, accommodation in the hotel, breakfast, free airport transfer (round trip), entrance ticket to the museum of communism, entrance ticket to the night club “Karlovy Lázně”, entrance ticket to Tovarňa, favourite meeting point of young people.

### **6.1.3. Place becomes convenience**

- 7 heated garages and closed parking
- The hotel is located relatively close to the city center (approximately 10 minutes by tram to the Muzeum), however in a quiet remote location,
- Medical services available 24 hours daily;
- Reception desk working 24 hours daily

### **6.1.4. Promotion becomes communication**

- Information via direct marketing. Customers are always well-informed. Sending mail, SMS, brochures etc. informing about the latest offers and novelties to loyal customers;
- Delivery channels:
  - The Internet;
  - Travel agents;
  - International reservation systems (Expedia, Venere, GTA, HRS, etc. );
  - Customers feedback. Taking into account that the bigger amount of the travelers and guests who chose hotel “Nabucco” are Italians (mainly due to the fact that the staff speaks Italian, as far as only a small amount of Italian guests speak any other language, they give the preference to the hotel where the staff speaks fluently Italian, and such a case to avoid the language barrier), the well know “family culture” plays a very important role in Italy, especially when it comes to the southern part of the country, that means that a positive “word of mouth” is worth much more than any other expensive advertisement. Indeed, most of the Italians coming to the



hotel have used their friends ‘and relatives ‘comments and reviews as their choice criteria.

## **6.2. SWOT Analysis**

SWOT analysis<sup>8</sup> is a tool for auditing an organization and its environment. It is the first stage of planning and helps marketers to focus on key issues and identify internal and external factors that are favorable and unfavorable to achieving objectives. The SWOT analysis is an extremely useful tool for understanding and decision-making for all sorts of situations in business and organizations.

### **6.2.1. SWOT Analysis of a customer-centric enterprise (Hotel “Nabucco”, Prague)**

#### Strengths (S)

- Good quality and wide variety of services for a reasonable price
- Good reputation, positive reviews attract new customers
- Long-term relationship with loyal customers
- Only highly- skilled personnel

#### Weaknesses (W)

- Distant location of the hotel

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<sup>8</sup> SWOT is an acronym for Strengths, Weaknesses (internal factors), Opportunities, and Threats (external factors). The technique is credited to Albert Humphrey, who led a research project at Stanford University in the 1960s and 1970s (using data from Fortune 500 companies). [32]

- Seasonal fluctuations (different number of visitors in spring-summer and autumn-winter periods, depending on a high/low seasons, holiday times, school holidays, etc.);
- Difficulties with hiring personnel and finding suitable staff, only highly qualified employees are required;
- High costs required to start up the business like this and to support it on competitively high level (high rent, sustainable capital funding, wide range of services, equipment, marketing costs, other fixed and variable costs, etc.);
- No immediate profit observed ;
- High costs for the business software necessary to run the hotel, employee training programmes;
- One of the main weaknesses of the hotel is the fact that till now the hotel has not met all the requirements necessary to receive a certificate of a 4\*\*\*\* hotel. According to the requirements set by the Czech Association of Hotels and Restaurants, the accommodation facility must have a restaurant with an “À la carte” offer, open at least 6 days in a week in order to be named a 4 \*\*\*\* hotel. The restaurant used to operate in the hotel, but mainly due to prolonged economic crisis and a sharp decline of arrivals in year 2009 its operations were suspended. The hotel management plans to renew the operating of the restaurant in the end of summer 2010, probably in August (high season, peak), after that the hotel will apply for the certificate. Even if the certificate is not a generally binding, however it will improve the hotel’s status and probably attract new customers.

#### Opportunities (O)

- Development of new services, introducing new special offers;
- Development of existing and establishment of new customer networks;
- Employing multi-language employees and workers who have a degree in the following field (tourism, linguists, etc.);

- Understanding and implementation of new technology.

#### Threats (T)

- Competition. Similar accommodation facilities already exist and will appear in a future as well. The competitors do not stand aside, they develop their services as well, some of them going even farther in their network developments and the variety of services offered. That is why it is not only of a great importance, but it is crucial to know the situation in the market you operate in;
- Fast growing requirements for customer service quality (HOTREC, AHR, etc.)
- Sustainable seasonal fluctuations can influence the profit dramatically, especially in the period of global financial and economic crisis.

### **6.3. Customer's view**

Customer service can sometimes play a decisive role for clients, when choosing a place to visit or a hotel to stay in (in this case). Qualitative research methods have been used for this project<sup>9</sup>.

To find out the role of customer service in everyday life a questionnaire was created and distributed among 100 guests of the hotel examined. The questionnaire included questions concerning general understanding of good service and questions concerning specific factors or places, the questions included in the questionnaire were dealing not only with the hotel and tourism industry, the aim of the questionnaire was to find out the general understanding of the customer service importance, its role in everyday routine life of the customers.

Each respondent filled in the questionnaire, which took only a few minutes. The questionnaire contained 2 open-ended questions (questions 8, 10):

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<sup>9</sup> Qualitative research methods are implemented for smaller but focused samples rather than large random samples, which qualitative research categorizes data into patterns as the primary basis for organizing and reporting results. [8]

8) Where do you find the customer service to be of the best quality?

10) Where do you find the customer service has to be improved?

In addition, the questionnaire contained 13 closed-ended questions such as gender (male or female), age, occupation and others, where few possibilities of answer were possible. (Appendix, Suppl. 1).

### **6.3.1. Research details**

#### **1. Gender**

Women comprised 54 % (54 people) of the sample and men represented 46 % (46 people) of the sample.

#### **2. Age**

Age categories:

18-25 years 19 % (19 people)

26-35 years 31 % (31 people)

36- 45 years 38 % (38 people)

46 and over 12% (12 people)

#### **3. The purpose of stay in the hotel**

Holiday/vacation 70 % (70 people)

Business trip/ business meeting 17 % (17 people)

One night stay/ people in transit 10 % (10 people)

Other reasons 3 % (3 people)

#### **4. Occupation**

From the total amount:

Study 17 % (17 people)

Work 51 % (51 people)

Work and study 23 % (23 people)

Other 9 % (9 people)

#### 5. The importance of customer service

Everyone agreed that customer service is important, but in some cases people don't put an emphasis on it, they consider it to be vital only in some cases. None of the respondents said that service was not important.

#### 6. Responsibility for the quality of customer service

Most of the people asked considered the whole organisation to be responsible for the quality of the delivered service. However, there were many correspondents who consider the personnel/employees (the reception desk mainly in this case) to be responsible for making the most important one, the very first impression. As a matter of fact this statement that the whole organisation is responsible for the quality of the delivered service is true. According to economic and management studies service is delivered by the whole organisation, not separately by employees, managers or chief executives.

#### 7. Customer service tools

The majority of people prefer it when information is provided to them via the internet or self – service (with the help of informative booklets, brochures, internet advertisements). According to the latest Report on the Internet, travel is the fifth most common reason for the use of the internet. Nearly half of all internet users book travel accommodation, and more than a third book holiday packages and flights online. As opposed to previous years, when online services were considered an unimportant feature for travel and tourism companies, it is hard to make travel arrangements without the internet today. Low cost airlines in particular base their operations online in order to decrease costs, and other companies offer special rates or the lowest prices exclusively on the internet, so does the hotel industry (hot deals, early bookings, etc.)

Phone support has the advantage that a customer receives needed information directly and immediately, however self-service is more suitable for people who prefer searching for the information by themselves to direct communication.

8. The first impression.

When entering the hotel many peoples' attention is drawn to the friendly staff and cleanliness that stresses the importance of the first impression. However a lot of people while choosing the accommodation facilities turn their attention to the price/quality ratio that stands for the basic idea: "pay minimum- get maximum".

9. Good customer service (open- ended question)

Where do people find the customer service to be of the best quality?

Most of them consider banks, private companies, small retail shops and organizations to provide the best level of service. Among the enterprises noted for good service were named IT companies and companies offering mobile services. As well many of the travelers pointed out the good quality for reasonable money in the all inclusive resorts and hotels in Turkey, Thailand, Malta, etc., most of them enjoyed the system :”Pay once and relax”, giving them the possibility to prepay their holiday in advance without dealing with the bills and payments later on.

10. The most important points in service

It is obvious that customers prefer service provided by professional and skilled workers. That is why polite personnel are really important for customers. Another important point is a guarantee; every customer likes companies that offer them confidence, reliance and satisfaction with their products or services. In the case of a hotel industry that are numerous certificates, ethical standards and codes, etc.

Other important points were bonuses, discounts and presents which customers get when buying a product or service.

11. Bad customer service (open-ended question).

Where do people think the quality of service has to be improved?

Most of customers are not satisfied with state and public organisations and companies. A lot of people don't like the service they get when they do their shopping. Among the organisations with bad service level were named mainly supermarkets.

#### 12. Main reasons for poor service

The most common reasons that have led to customer disappointment were service (guarantee, delivery time, ethical and other aspects) quality and unskilled personnel. So the importance of employee training should not be undervalued. Among other reasons were complications and difficulties during the service delivery process, such as long queues, language barriers, etc..

#### 13. Customer reaction to poor service level

According to the research every customer reacts differently to a bad level of customer service. Many people tell other people about it (positive vs. negative word of mouth). It is said that a satisfied customer tells three or four people while an angry customer passes the bad news on to ten people. Other people simply stop visiting this organization or choosing this hotel for their next stays. That means that losing a customer means the company loses its initial investment. This is due to fact that company invests high costs to attract the client, to get an initial trial purchase. But if the customer experience is bad, he will not come back again.

#### 14. Satisfaction with service

According to this research most of the respondents are more or less satisfied with the level of service in their life, but there are people who are not satisfied at all, that should be taken into consideration by the companies and organisations, because if customers are not satisfied the customer retention is low and profit will be low as well.

#### 15. Weak points

The weak points people see include mainly service (guarantee, delivery time) quality and working personnel. A possible way to improve this is development and the implementation of new technologies and training programmes.

The main goal of this research was to find out if the level of customer service is important and what role it plays. As the sample included a different number of men and women and people with different occupations it provided the possibility to find out the attitude to customer service not only among one target group, which would be rather subjective, but to construct a general picture, using the versatile point of view.



## **7. Conclusion**

From this diploma thesis and the research done in a case study it is obvious that the quality of customer service is really important for every client, of course for some more than for others. But the role of customer service should not be undervalued. Customer service is the core of any successful business. Every business no matter how small should have a strategy dealing with customers. As research shows even a small company with an excellent customer service may be more attractive than a big one with a low level of service. Customer service is a system, a mechanism, that is effective when all the parts work together, that is why service should be superior at every stage of its delivery.

The better a business can manage the relationships it has with its customers the more successful it will become. Finding new customers is an expensive business. It pays to invest in hanging onto your existing clients. And as mentioned above the disappointed customer probably will not come back or pass the bad news to others, both these actions lead to decrease in a firm's profits.

Combining these two views leads us to the opinion that customer service is important for both clients and service providers, serving as the way to profitability and to customer loyalty for organizations, and as a measurement of personal satisfaction for clients.

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## Supplement №1 - Questionnaire

1) Your gender:

a) Male <input type="checkbox"/>	b) Female <input type="checkbox"/>
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2) Your age:

a) 18 – 25 <input type="checkbox"/>	b) 26 – 35 <input type="checkbox"/>	c) 36 - 45 <input type="checkbox"/>	d) 46 - and over <input type="checkbox"/>
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3) The purpose of stay in Prague:

a) Holiday/vacation <input type="checkbox"/>	b) Business trip/meeting <input type="checkbox"/>	c) One night stay/people in transit <input type="checkbox"/>	d) Other reasons <input type="checkbox"/>
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4) You:

a) Work <input type="checkbox"/>	b) Study <input type="checkbox"/>	c) Other <input type="checkbox"/>
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5) Customer service for you is:

a) Important <input type="checkbox"/>	b) Not important <input type="checkbox"/>	c) Important, but only in some cases <input type="checkbox"/>
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6) Whom do you consider to be responsible for the quality of customer service?

a) Chief executives <input type="checkbox"/>	b) Employees <input type="checkbox"/>	c) Middle management <input type="checkbox"/>	d) All of them <input type="checkbox"/>
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7) Which of the following customer service tools do you prefer?

a) Phone support <input type="checkbox"/>	b) Internet/Email support <input type="checkbox"/>	c) Chat support <input type="checkbox"/>	d) SMS support <input type="checkbox"/>	e) Mail support <input type="checkbox"/>	f) Self-service <input type="checkbox"/>
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8) While entering the hotel/restaurant/shop you turn your attention first of all to:

a) Friendly staff <input type="checkbox"/>	b) Cleanliness <input type="checkbox"/>	c) Nice and cosy interior <input type="checkbox"/>	d) Low prices/price to value ratio <input type="checkbox"/>	e) Other <input type="checkbox"/>
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9) Where do you find the customer service to be of the best quality? (company, shop, other organizations) \_\_\_\_\_

10) What do you find to be the most important in service:

a) Polite personnel/easy communication <input type="checkbox"/>	b) Help with a choice, being skilled and competent <input type="checkbox"/>	c) Guarantee <input type="checkbox"/>	d) Other
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11) Where do you find the customer service has to be improved? (company, shop, other organizations) \_\_\_\_\_

12) What is the main reason for your disappointment?

a) Unskilled personnel <input type="checkbox"/>	b) Services (guarantee, delivery time) quality <input type="checkbox"/>	c) Service/Product quality <input type="checkbox"/>	d) Other <input type="checkbox"/>
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13) After facing poor customer service you:

a) Tell about it to other people (friends, relatives) <input type="checkbox"/>	b) Stop visiting this shop or company <input type="checkbox"/>	c) Complain, but continue visiting this shop or company <input type="checkbox"/>	d) Don't pay attention to it <input type="checkbox"/>	e) Other
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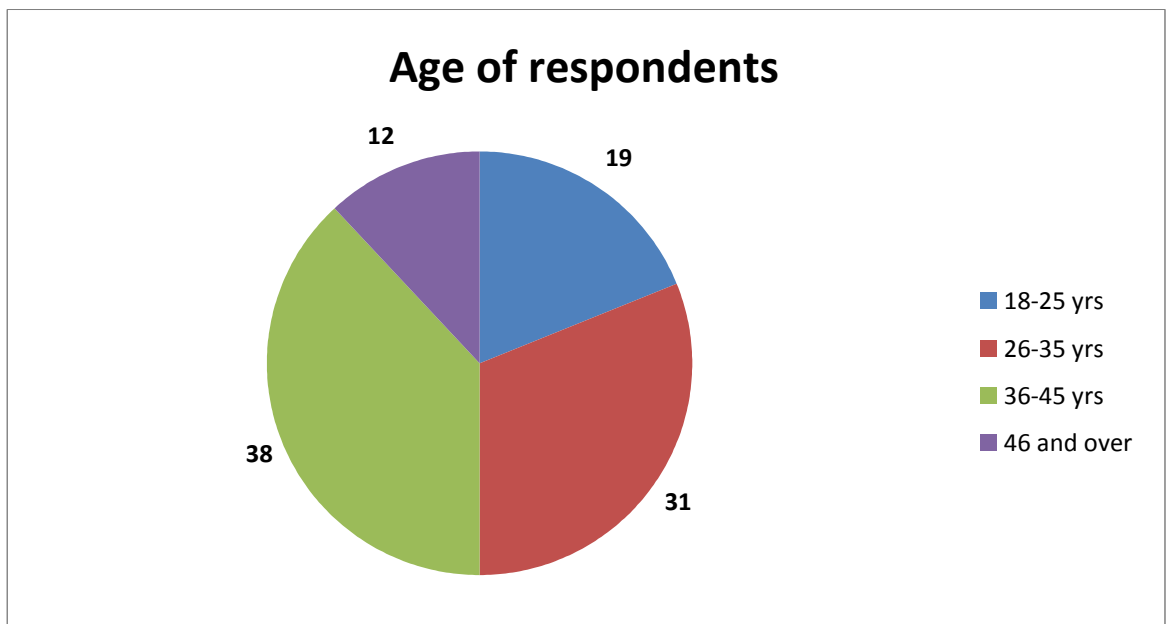
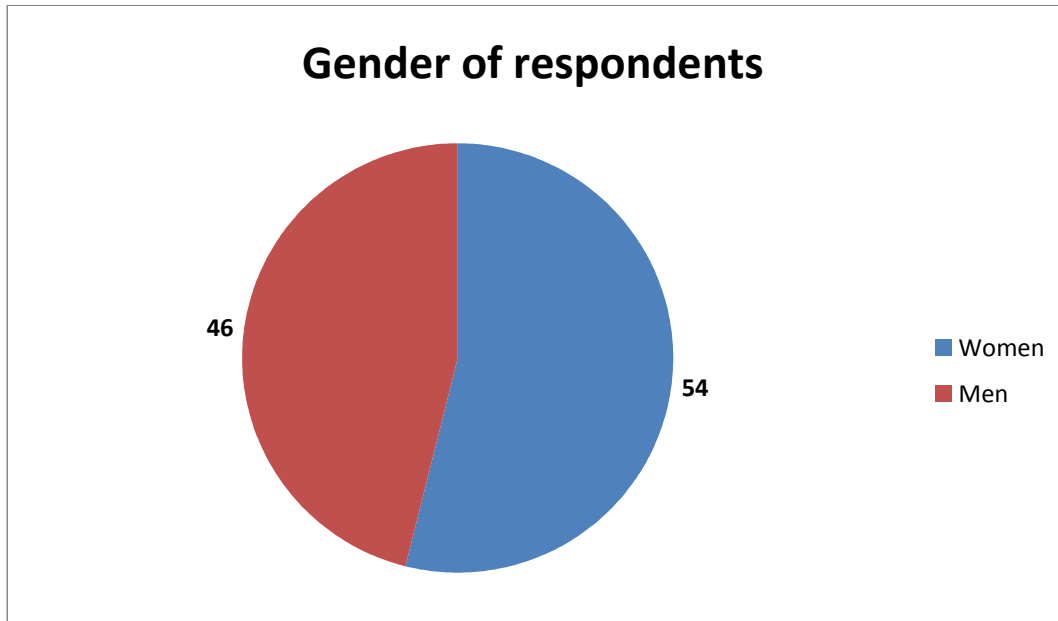
14) How do you feel about the customer service you see in your daily life?

a) Totally satisfied <input type="checkbox"/>	b) Satisfied <input type="checkbox"/>	c) More or less satisfied <input type="checkbox"/>	d) Not satisfied <input type="checkbox"/>
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15) What would you improve first of all?

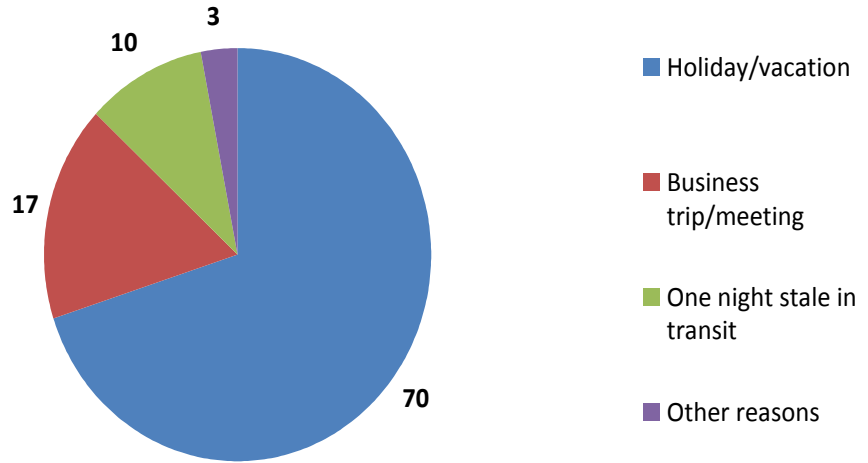
a) Working personnel <input type="checkbox"/>	b) Service/product quality <input type="checkbox"/>	c) Services connected with a product (guarantee, delivery time) quality <input type="checkbox"/>	d) Interior <input type="checkbox"/>	e) Other
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**Supplement №2 –Graphs**

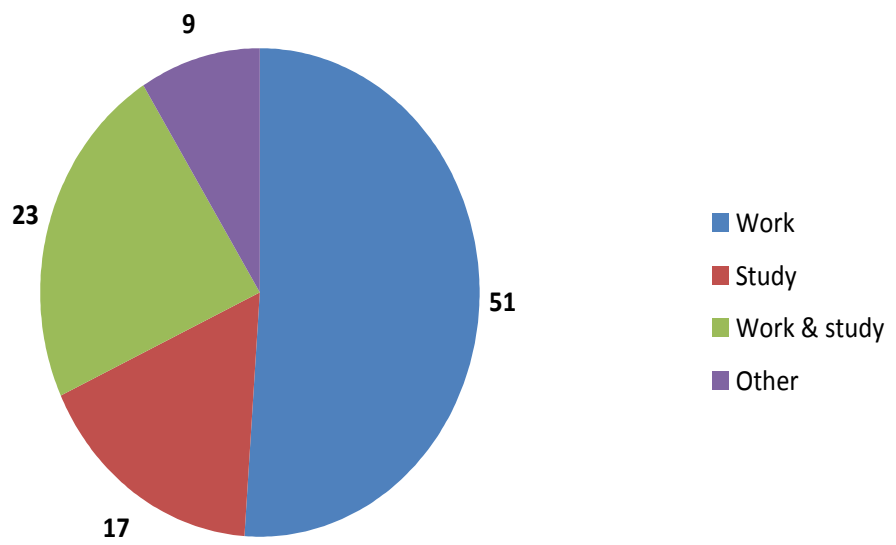




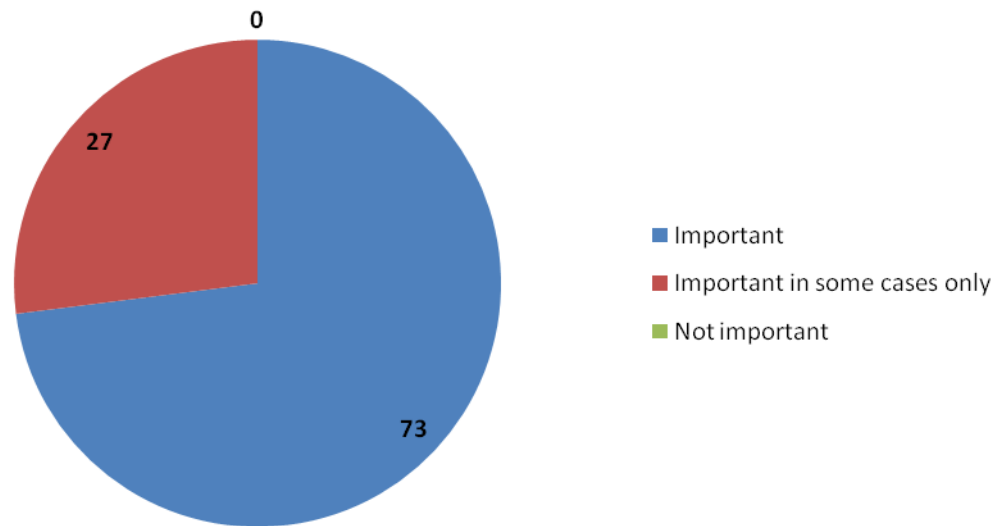
### The purpose of stay in Prague



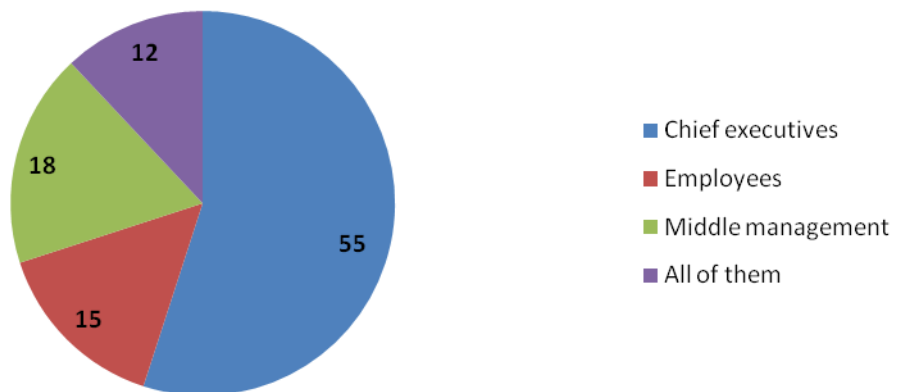
### Occupation of respondents



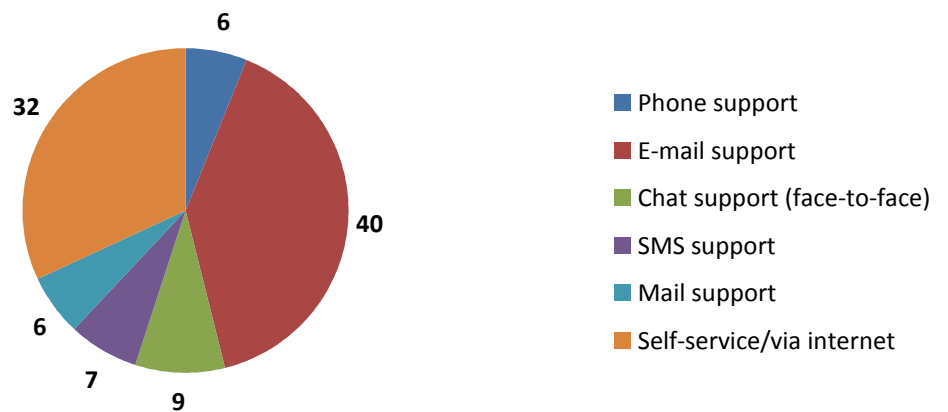
### Customer service for you is:



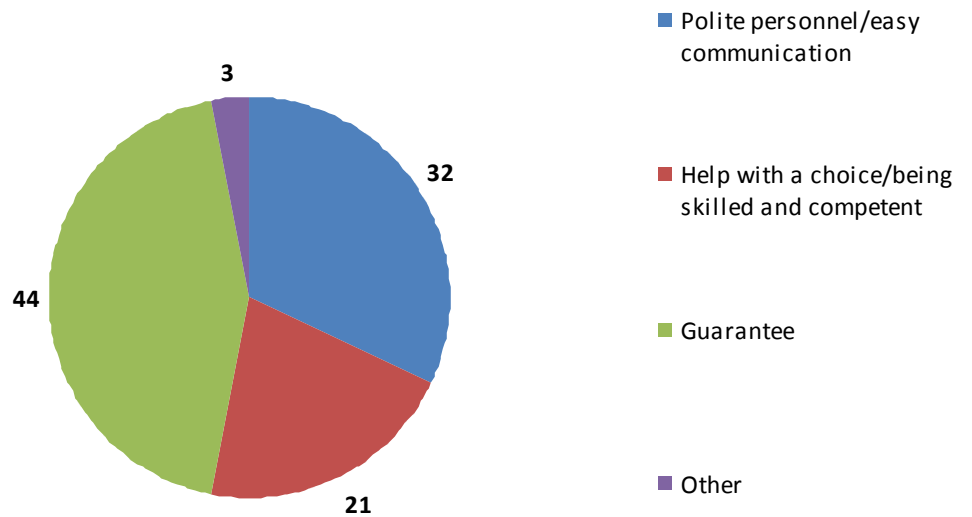
### Whom do you consider to be responsible for the quality of customer service ?



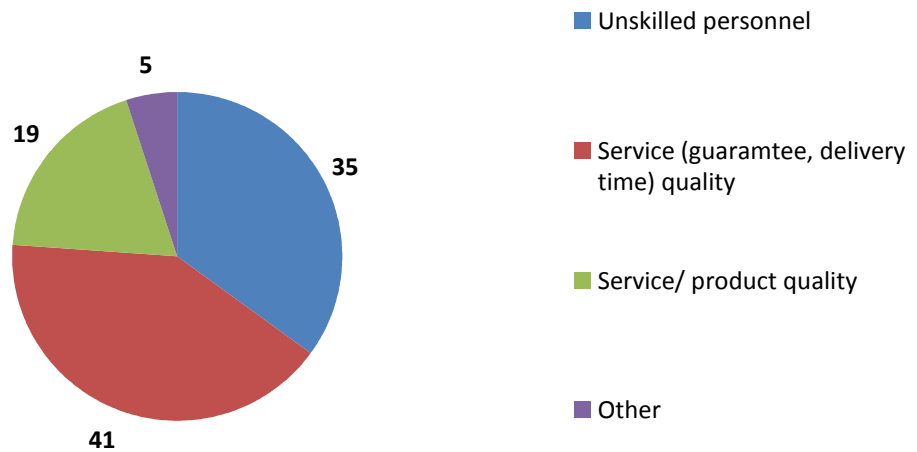
### Which of the following customer service tools do you prefer?



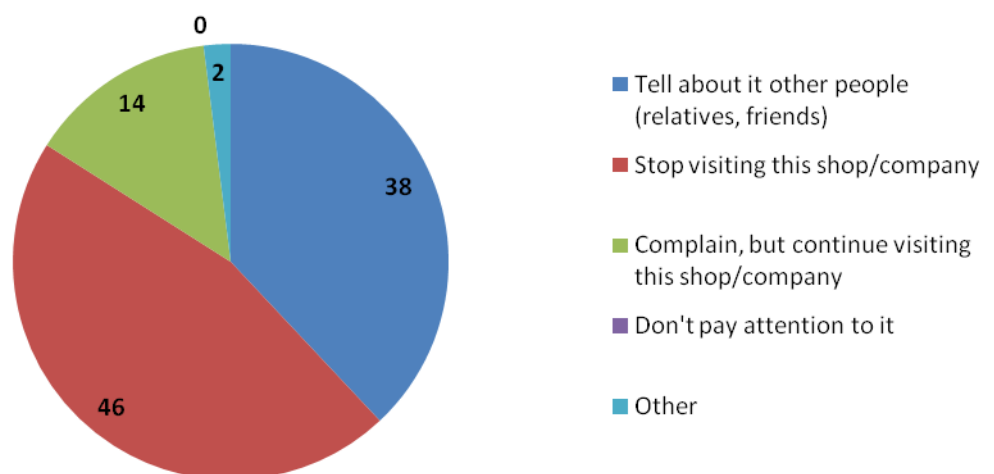
### What do you find to be the most important in service:



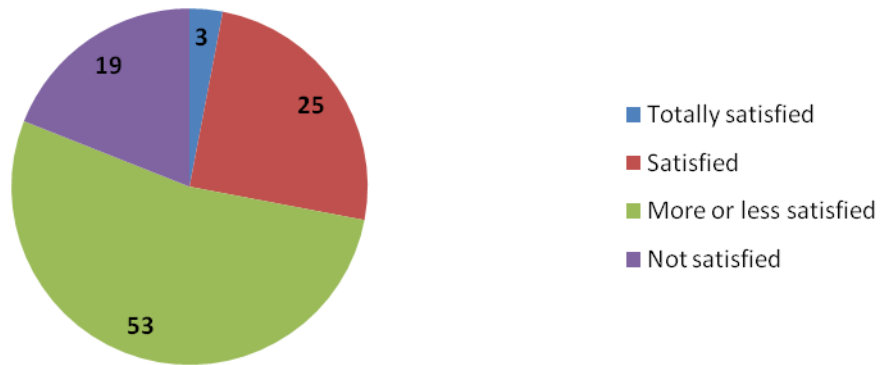
### What is the main reason for your disappointment?



### After facing poor customer service you:



### How do you feel about the level of customer service you see in your daily life?



### What would you improve first of all?

