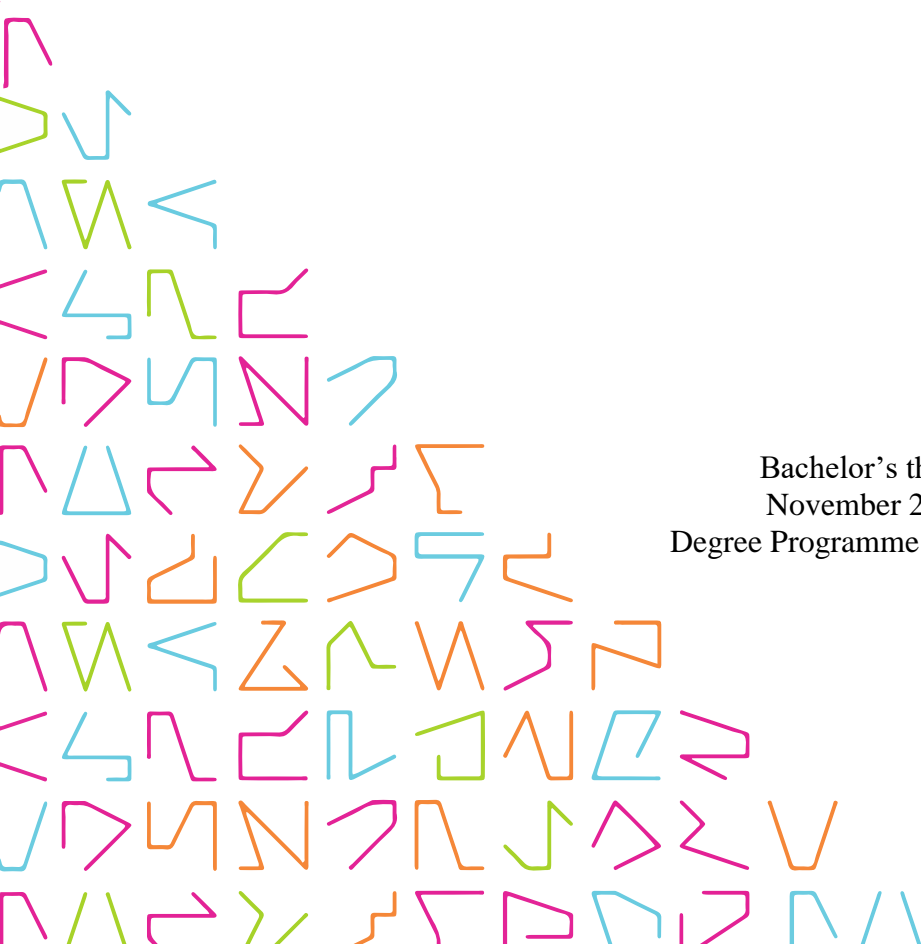


# **LUXURY STANDARDS AND CUSTOMER PERCEPTION OF A TANZANIAN YACHT COMPANY**

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## **ABSTRACT**

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The luxury tourism market is growing very rapidly and due to the internet and social media, more and more wealthy tourists are looking for traveling and exploring a wide range of destinations to get unique experiences all over the world.

Luxury products and services such as accommodation are expected to provide the customers with very high-end standard products, services and experiences. In order to do so it is important to understand the customers' expectations, create service standards and guide their experiences. In the business point of view, understanding customers' perceptions will help the companies plan and predict their customers' expectations.

When companies are aware of the customers' perceptions and expectations they will be able to provide the best experience, services and products to their customers, and their customers will also leave with good memories, satisfied and happy.

Qualitative research method was used in this research where the data were collected by interviews through telephone calls and emails. The results of the research will help the yacht company management to understand their customers' perceptions and be able to improve, add and create memorable experiences, products and services.

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Key words: luxury, experiences, customer perception, tourism, expectations

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## 1 INTRODUCTION

Tanzania Yacht Charters provides good unique experiences and a secure environment for their customers. They have over 17 years' experience in luxury travel in East Africa and they offer top class and fully equipped yachts. Tanzania Yacht Charters is a trademark of Aquasun Ltd., established and registered in 2004 on the island of Zanzibar where the main head office is located.

*“Tanzania has a winning combination of safari destinations, easy sailing conditions, amazing dive sites, and historical UNESCO cities, where you can fly over savannah plains on a hot air balloon or swim with whale and sharks”*

Tanzania Yacht Charters offer tailor-made sailing holidays, their services include safety equipment and water sports equipment, professional crews and well trained employees. The yacht company caters for everybody, so everybody is welcome. Their customers are families with both small and older children, honeymooners, couples and groups of friends.

### **The staff consist of the following ones:**

- Operations Director
- Sales and Marketing Director
- Administration Assistant
- Base Manager
- Skipper
- Housekeeping and cleaner
- Nanny (only when required)
- Chef
- Driver
- Errand Man

Because the main attractions are the environment, nature, clear waters and unspoiled beaches, Tanzania Yacht Charters is a responsible company hence it practices sustainable tourism so as to reduce the negative impact on the environment, cultures and the natural habitats.

## Sustainability

- Tanzania Yacht Charters tries to be sustainable by making sure that the engines are clean and maintained regularly in order to avoid leakage which will affect the marine life and beach attractions.
- The company offers small group holiday alternatives to remote and less packed places to minimize impacts on the natural inhabitants e.g. noise pollution, pollution and mass population.
- Solar and wind power is used as much as possible inside the yachts.
- Tanzania Yacht Charters gives back to the community by providing employment to the locals in order to boost the economic income in Tanzania and also purchasing local food, drinks and other necessities from the community.

The following table shows the destinations, available charters and holiday packages provided the company.

Destination	Safari boats	Holidays
Tanzania	Luxury yachts	Sailing holidays
Kenya	Sailing yachts	Africa safari vacations
Mozambique	Motor yachts	Liveaboard diving holidays
	Catamarans	Kite surfing holidays
	Fishing boats	Day trips
		Safari and sailing vacations
		Liveaboard kayaking

## Yacht chartering

Tanzania as a destination has tremendous opportunities for sailing, diving and sports fishing. Tanzania Yacht Charters covers up to 70% of sheltered islets and a wide range of coral reefs to explore, making it possible to sail to new locations every day.

## **Luxury yachting**

The company offers privacy in exotic and exclusive places with full time servers and entertainment, and qualified employees dislike staying in the beach resorts or ships. Customers who choose luxury yachting have 100% commanding power and the crew's attention. Extra attention is taken into account by providing the customers with extra space, facilities, water sports toys (jet skis, kayaks, wind surfs, water skis and diving equipment), stylish accommodation and a personal tender who acts as a guide for the customers ashore to the beach and to the games and activities. Luxury yachting provides an opportunity for customers to experience new cultures and explore islands while making sure the guests are feeling safe and secured without intruding on their experience.

### **1.1 Research problem**

The main aim of this thesis was to find out how the luxury standards in experiences, products and services provided by the yacht company are perceived by their customers and if the experience products and services meet their expectations, to understand their thoughts on the quality of the experience products and services when luxury is concerned, hence people go through high far lengths and can spend a lot of money for luxury and unique experiences.

#### **1.1.1 Overall aim and objectives**

The aim of this thesis was to find out what is the customer perception of Tanzania Yacht Charters in the luxury point of view. In any business it is always important to know what the customers think about your products, hospitality and services you are providing, and if they meet their expectations, which will allow the company to make improvements where necessary, and therefore always keeping their customers satisfied.

The objectives of this research were;

- To identify what luxury and luxury tourism are
- To carry out a research and analyse how customers perceive the experience products and services of Tanzania Yacht Charters

- To see if the experience products and services provided by Tanzania Yacht Charters meet their customers' expectations.

Understanding the customers' perception will help develop the company's hospitality products and services for future customers.

### **1.1.2 Data collection**

The research was conducted by using qualitative research methods. The overall results were based on interviews conducted by the researcher with the manager via telephone calls and emails, the researcher's personal observations during her training at Tanzania Yacht Charters for three months, information from the company website, academic literature i.e. books, articles and previous researches about luxury tourism, and internet research.

### **1.1.3 Theoretical framework**

The theoretical framework for this research was based on customer satisfaction in relation to luxury products and services. In order to have a successful business companies make big effort in satisfying their customers' needs, hence there is so much competition out there for the dynamics to stay the same with no efforts. If the customers' needs are not met, depending on what you are offering, they will either stop coming or stop buying your products and services. This also applies to companies that seem to be successful in matching or exceeding their customers' expectations, because without arranging customer satisfaction measurements there is a risk of losing the business.

## 2 LUXURY

Throughout history luxury has been different according to social, economic and political circumstances (Lasslop 2005, 472). Luxury is not meant for everyday consumption, it is more like a splurge, luxury is not a necessity in people's lives, it is in some ways unnecessary but nice to have and more like something extra (Sombart 1992, 85).

Luxury appeals to people who can afford the ultimate in pricing and quality, luxury can be found in products and services (Scholz 2014, 10). The demand for luxury products and services has been growing throughout the years and people buy luxury products for different reasons; for example showing off status, rewarding one's self after an accomplishment, for gifts to win favors etc.

*“There is no single definition of luxury. Most definitions refer to well crafted, hedonistic and aesthetic objects, priced excessively above their functional utility, sold in exclusive stores delivering personal service and unique customer experience most often from a brand with history and heritage, the whole delivering a rare feeling of exclusivity.” (Kapferer 2011 online.)*

In the 17th century luxury was a form of showing power and show the social difference between people (Lasslop 2005, 472; Scholz 2014, 10.)

Developing luxury products and services is not easy but it is a task for every manager dealing with luxury and aiming to assure the development and innovation of the luxury brands.

### 2.1 Definition of luxury

Luxury has proven to be difficult to define, hence many experts have discussed the meaning of this word and cannot agree on a final definition (Chavalier & Gutsatz 2012, 1). The first task is to differentiate luxury from fashion.

In the normal day to day life the most luxury we come across is undoubtedly clear; it is mostly retail luxury from clothing to accessories which usually first start as fashion brands



and then later are considered luxury depending on the quality, the idea of never losing style, for example Chanel bags. Fashion brands need to continuously be creative and have to change according to seasons, and they also need to be innovated as time goes by developing new ideas and designs to continue attracting customers. For a fashion brand to be considered luxury it has to stay relevant and throughout the year be the best selling (Chevalier & Gutsatz 2012, 2.)

### **Why it is difficult to define luxury?**

The concept of luxury has changed over time. In the middle ages, luxury objects were aimed for few people and it was always part of showing status and distinguishing themselves from others but nowadays luxury has been embraced by a lot more people, even though it is still unnecessary it is no longer considered as negative and not needed, so it is safe to say that the values and morals of people have slowly changed leading to this generation that is currently more open, ambitious and less conserved.

Intermediate luxury has contributed in creating a more positive attitude towards luxury. It has made luxury more acceptable and embraced because it is not targeting a specific group of people but it is targeted for everybody. Intermediate luxury has managed to justify itself as sophisticated, of reasonable quality, experience and brand (Chevalier & Gutsatz 2012, 2.)

#### **2.1.1 Different approaches to luxury**

We all know that people are different and have individual ways of differentiating luxury products. The following explains the different approaches people take when dealing with luxury products.

In terms of perception: just as the customer decides what good quality is and what it is not, the same applies for luxury. All customers have their own individual perceptions about what luxury is to them.

In terms of production: it is the producer or manufacturer that decides to create a product that will be considered luxurious by paying attention to details, selling the products in sophisticated environments and promoting them in an exclusive way.

In terms of social and individual behaviors: buying or owning luxury products creates a sense of genuine pleasure and a feeling of fulfilment. People who own luxury products always stand out and this is what creates division of status when luxury is concerned.

Before a product becomes a luxury brand it has to have its own technical and aesthetic characters that include the importance of brand matching the product and being consistent. The following ones are a set of luxury values a brand must possess.

- Exclusivity; a luxury product should be one of a kind, a bit hard to get but available and it must carry careful and proper craftsmanship.
- Quality; the quality must be exceptional, the product should look good, sophisticated and the price should be high to differentiate it from other products.
- Hedonism; it should be indulging, the mere fact of possessing a luxury product should provide pleasure and satisfaction.
- Brand image; it should be unique, valued, famous, distinguished, high standard, great and permanent.

Customer of luxury products will pay high prices because the luxury objects will fulfill all their emotional, symbolic and expected needs. (Chevalier & Gutsatz 2012, 5.)

### **2.1.2 Different types of luxury**

**Authentic luxury;** This refers to products that are unique in craftsmanship and are not created in factories or in mass production markets but carefully created with attention to details and care to ensure durability and quality. Owning such products can be very rewarding hence luxury brand brings pride and creates social divide.

**Intermediate luxury;** This reflects to products of medium luxury, they are of good quality and share the same brand management system although not a result of individual craftsmanship but produced by factories in large scale and priced at upper middle of the price scale.

**Eccentric luxury:** This refers to products that are actually individually customized / designed, individually selected and are manufactured in small quantities to serve a particular purpose or demand of a particular customer.

**Sensible luxury;** this refers to products that are almost not luxury products in the sense of the price being affordable, sophisticated but are produced for the mass market brands. Zara is a good example of a brand that provides good quality and sophisticated products very different from H&M, providing items with a sense of style but appealing to all sorts of buyers and with affordable pricing to everybody; this type of luxury is more close to intermediate luxury but because of its sophistication. (Chevalier & Gutsatz 2012, 6.)

### 2.1.3 Luxury products and brands

Luxury products can be categorized in tangible products as food, cars, clothing, make-up and accessories, houses and home appliance while luxury services are luxury hotels and luxury agents.

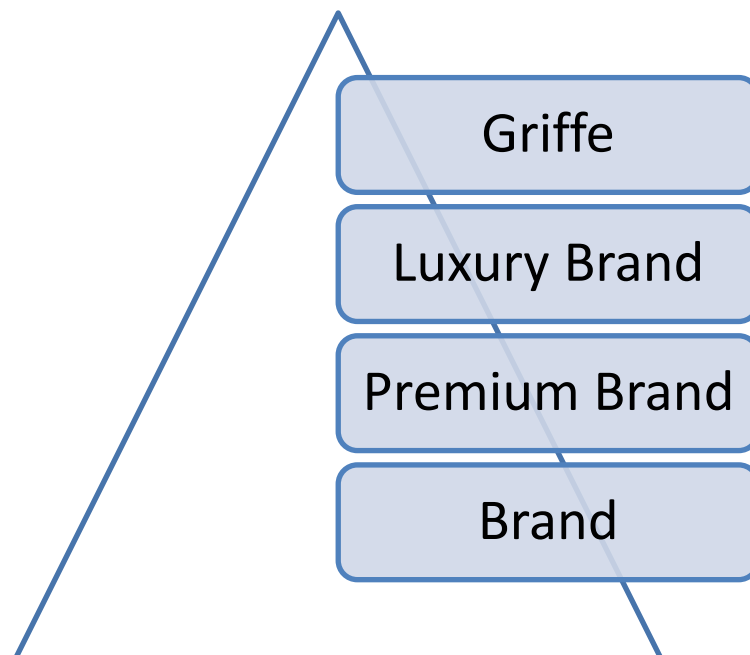


FIGURE 1. Kapferer's pyramid of branding model 2008, Lucie Scholz 2014

The above pyramid was created by Kapferer to distinguish between the following four types of brands;

Griffe; these are products produced in exceptional quality, they are unique and carry the designers engraved signature, they are extreme and total perfection (Kapferer 2008, 98; Sholz 2014, 15).

Luxury brands; these products are very high quality products, produced in craftsmanship, in very low quantities and produced in small workshops (Diepstraten 2009, 14f; Scholz 2014,15).

Premium brand; these are upper range of brands, they are of good quality, they are not unique they will look like other brands and are produced for mass prestige in factories.

Brands; these are private labels, they are produced continuously in a large scale of mass production. The producing method means the products will be of low cost and available to a larger number of people worldwide.

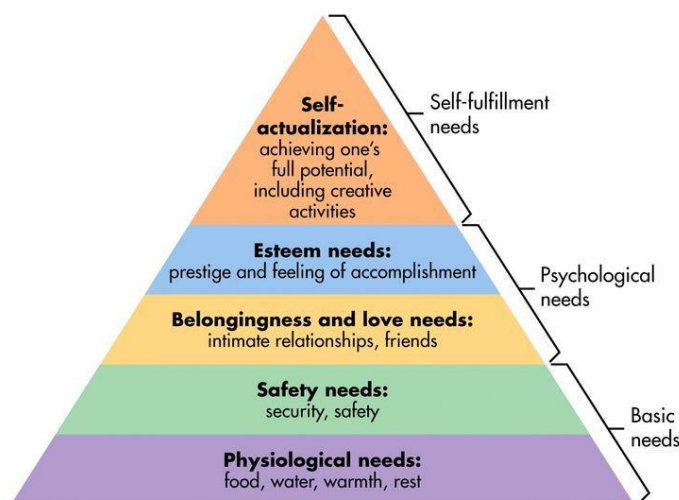


FIGURE 2. Combination of Maslow's hierarchy of needs and Kapferer's pyramid (according to Pätzmann 2008, Scholz Lucie 2014)

Jen Pätzmann (2008, 17) combined the Maslow's hierarchy of needs and Kapferer's pyramid of branding model in order to identify the different purchase motivations. The approach he came up with was as follows. Customers tend to use normal brands for their normal basic needs that seem to solve the problem, yet they choose premium brands to fulfil other greater personal needs, for example premium brands help to distinguish individuals from their social background making it obvious to identify social status within

certain groups while luxury brands tend to show achievement, respect, recognition to others and oneself (Scholz 2014, 17.)

According to Kapferer 2011 online (Scholz 2012, 17) you cannot compare luxury and premium brands because luxury brands are more superior than premium brands hence they come from a systematic ranking order while premium brands are just better goods that are of good quality and in order for luxury to exist there needs to be other ranks of goods too, otherwise if everything is luxury then luxury loses its power. So the only way you can compare premium goods and luxury goods is how they will stand out to people through their price. What appears premium to one individual might be luxury to another.

## **2.2 Luxury customers**

It is difficult to make a general statement about a luxury customer or define luxury customers hence luxury customers are different and have different personalities worldwide and off course it depends on the different available products. The following are characteristics of a luxury customer.

Luxury customers have a strong buying power, they can purchase a luxury product spontaneously without planning beforehand or thinking carefully about how the price will affect their finances because money is usually not an issue but surveys have also shown that 70% of luxury customers have to carefully plan before purchasing luxury items (Die Welt 2009, online; KPMG 2009; 5; Van Der Gathen 2009, online; Lucie Scholz 2014, 21).

Luxury customer is usually educated and because luxury caters for both male and female, it is not clear who is the biggest luxury shopper between males or females hence assumptions have been made that women are the biggest luxury brand purchasers because they shop more than men while other assumptions state that men are the biggest luxury purchasers because they can spend more money on luxury goods because they have higher purchase power (Sriviroj 2007, 7; Lucie Scholz 2014, 23).

### **Personal and social functions of luxury**

Experts have provided information about well-defined functions that fulfil the customers' needs hence brands create trust to customers that the product will perform well and will be of good quality and it makes the performance positively or negatively predictable. Personal luxury purchases are meant to fulfill one's desires and indulgence while social behaviors reflect on impressing others (Scholz 2014, 24).

### **Personal functions of luxury**

According to Valtin (2008, 252), luxury customers purchase luxury goods for self-satisfaction or to get the best quality of what they desire but not to show off their wealth (Scholz 2014, 25).

The purchase decision comes from the desire to reward oneself. Brand managers and marketing specialist have recognized this and have taken advantage of people's desire to reward themselves as a way of attracting customers to do luxury purchases, especially through advertising premium brands "Because You're Worth It" (L'Oreal 2011, online; Scholz 2014, 25.)

The more you buy luxury products, the more satisfied and rewarded you will be just as the more you depend on it the more you want it. The desire of growth and realizing that luxury is the way forward becomes bigger. (Lasslop 2005, 480; Scholz 2014:26.)

Owning luxury products will define a person's self-wealth hence people always find a way of expressing who they are through their possessions (Belk 1988,139f ; Scholz 2014, 26), and because self-posessions are linked to one's experiences and feelings they are of high value (Ariely 2009, 130; Scholz 2014, 26).

Luxury goods are often purchased as gifts, for treating or pampering someone. Studies have shown that throughout the years women are the largest receivers of luxury presents from men. Who want to or keep the ladies (Scholz 2014, 27.)

### **Social functions**

Traditionally, luxury products are goods that promote social status to create a reputation that will distinguish individuals who use specific brands to other (Husic/Cicic 2009, 231; Scholz 2014, 27).

Luxury brands access on classifying people or groups into specific classes. The social status of those people or groups is identified by the visible well-known brands they possess. Wealthy customers who want recognition usually use conspicuous luxury products to show to other less wealthy people that they are not of the same class. While other customers who want recognition but cannot afford to own real luxury items result to using conspicuous counterfeit items to copy the wealthy people (Han/ Nunes/ Dreze 2010, 15; Scholz 2014, 28.)

Brand managers need to understand how their products appeal and serve to different luxury customers with different needs. So the manufacturers have to produce the right luxury products for the right luxury customers, whether by “loud” conspicuous branding or by “quiet” discreet branding (Han/ Nunes/ Dreze 2010, 15; Scholz 2014, 29). People choose to reward or pamper themselves by indulging in luxury products after working hard and making other sacrifices, this has become important to many people because this is what drives economic development throughout the world. Luxury inspires people to work hard and reach their goals and dreams in becoming wealthy, rewarding themselves which leads to happiness (Scholz 2014, 30).

#### **2.2.1 Counterfeiting**

Apart from the financial recession the biggest challenge the luxury industry faces or is affected by is counterfeiting. Counterfeit is the fraud imitation of real and genuine products (Okonkwo 2007, 172). It is a crime violating copyrights and aims at lying and taking advantage of the customer (Scholz 2014, 36). According to Kapferer (2008), counterfeiting is a sign of success in the luxury industry hence no one will counterfeit normal brands. Counterfeit brands live of the reputation and market value of luxury products and they multiply without limits and if this situation is not controlled they will eventually destroy the copied brand. Because there are many fake products available in

the market, the luxury products will lose value and will be undesirable hence losing the uniqueness and exclusiveness (Scholz 2014, 36, 37.)

Counterfeiting has become a profitable business, estimated in bringing billions of dollars which has affected the luxury industry. The major world center for counterfeit products is China, followed by other countries like Turkey, South Korea, Morocco and Thailand (Okonkwo 2007, 172; Scholz 2014, 37.)

Counterfeiting really affects the luxury industry in a big way because it damages the reputation of luxury brands hence the poor quality of the counterfeited products that carry a designer label of the luxury brand will spoil the image of the luxury brand that markets itself with quality, attention to details and good craftsmanship, and those customers who were cheated in buying the fake products that are not able to satisfy their needs or meet their perceptions will end up blaming the manufacturer and this will remove the trust from the customer and if the customer fails to discover that they were cheated, this will surely affect their future purchase decisions. (Scholz 2014, 37, 38.)

What motivates customers to buy counterfeit products (Kapferer 2008, 102f; Scholz 2014, 8):

- Bargain: buyers feeling that they are getting a bargain when purchasing fake products. Sometimes the fake products might actually be of good quality and resemble a lot with the genuine brand and that can attract customers even if they are aware that they are fake.
- Unnecessary: some customers are not interested in investing or hate to spend so much money for a real luxury brand because they consider it to be unnecessary especially if you can get the exact copy for less money.
- Morally incorrect: some customers believe that brands are taking advantage of their customers basically by stealing because the brands sales price does not match the cost price, for example a T-shirt with a famous brand label like Gucci being sold for from 300 dollars to 600 dollars, so buying fake brands is their way of resisting.

### **Control measures:**

Because counterfeiting is a big problem, luxury industries and individual companies (LVMH) are taking actions fighting back by employing lawyers and independent investigators in the fight to eliminate counterfeiting using up to 20 million dollars each



year (Pollinger 2006, 87f; Scholz 2014, 39). Because of the introduction or expansion of the internet purchasing it is difficult to trace the counterfeiters, 14% percent of counterfeit is done in online purchases (Cravens/ Piercy 2009, 314).

Because it is difficult to control the counterfeit, higher measures are needed to be applied i.e. campaigns against counterfeit, involving the government foreign ministries or ministries of justice, interstate relationships, creating awareness through advertising against counterfeiting (Kapferer 2008, 102f; Scholz 2014, 39). Anti-counterfeit technologies have been created to trace fake and stolen items, luxury industries started using planted electoral magnetic tags inside their products to help identify if the product is real or fake and track stolen ones. Some governments have declared manufacturing and selling of counterfeit products illegal, for example the French government introduced laws against manufacturing, selling and also owning fake luxury items, stating them as a crime (Okonkwo 2007, 173; Scholz 2014, 40). It is not easy to randomly check with people whether the items they own are real or fake but there are selective ways to control counterfeit ownership in particular places like at the airports.

### **2.2.2 Luxury tourism**

Luxury tourism represents a special type of tourism that involves unique and exclusive experiences. When it comes to tourist destinations, agencies design different luxury tourism packages which aim at total customer satisfaction. Luxury tourists want to experience their holidays in exotic islands, remote areas and cosmopolitan cities, places where exclusive people like celebrities visit or live, they also want to explore isolated beaches, places with historical backgrounds, unpolluted and untouched destinations. Luxury tourism is based on different physical factors, perceptions and customers' evaluation (Fedelin 2010; Ionela-Valeria Popescu 2014, 320.)

#### **Luxury Tourism services**

- Accommodation
- Transportation
- Experiences
- Travel agents/tour operators

## Accommodation

This is the most important element of tourism after transportation because the first thing you need to consider or plan before traveling is where you are going to stay during your travel.

Luxury accommodations are very expensive and because the customers are paying high rates it is understandable that they have high standard expectations with the accommodation location, customer services, ambiance, facilities, furniture, decor, and attention to details. Everything offered must be of high standards (Karen Tina Harrison 2017, online.)

The following are some of the luxury accommodation categories (Sylvain Roullier, November 23, 2014, online):

- **Five star hotels and resorts:** They offer luxurious rooms, breath taking views, fine cuisine and exceptional customer service.
- **Boutique luxury hotels:** These are thought of to be smaller hotels based on their size and number of people the hotel can accommodate but they offer all the luxury products and services offered in larger hotels with attention to quality of all needed facilities. Boutique luxury hotels emphasise quality instead of quantity.
- **Private villas and home vacation rentals:** these accommodations are usually found in remote areas and beautiful locations worldwide.
- **Luxury yachts:** these go beyond what hotels, villas and resorts offer which is absolute freedom to the customers, giving them complete ownership of and decisions of the services and activities that they want to receive, meaning that the services can be tailored to what the customer wants. This is easy because they cater for small groups of people and are available to charter for a few hours, days or weeks depending the length of the customers' vacation.

## Transportation

Transportation is not always linked with luxury tourism because of the increase in tourism and affordable tickets and offers within the airlines, cruises and trains.

- **Airplanes:** Although flying is among the most expensive ways to travel, the airlines offer other alternatives and cheaper options to fly with the same flight which is through seating arrangement. First class and business class seats are

more special and superior than economy class seats. Customers who fly with first class or business are normally provided with access to lounges during their transit or before boarding, they are usually first in line to board the flight after families with small children and people with disabilities, they receive special spacious and comfortable seating arrangements with fine dining meals and quality cutlery.

- Cruise ships: this refers to classic cruises in traditional regions in Scandinavia, Caribbean Islands and the Mediterranean Sea, river cruises and exploratory cruises. Cruises usually provide some elements of luxury available for the luxury customers because their target market is based on all kinds of customers and not just on luxury customers. They offer many different kinds of services and leisure products such as SPA services, swimming pool, shops, restaurants, night clubs, theatres and casinos but only few luxury companies provide luxury standard services on board.

### **Experiences**

This is the ability of capturing the customers' feelings through a combination of experiences in culture, leisure and recreational activities. Creating emotional connection between the customer and the products and services. This can be done in the following ways (Tatiana Ksenofontova 2013, 21):

- Tours and shopping experiences: visiting places with historical backgrounds, shopping in different shops from regular products to high end products. Some customers value and find pleasure in visiting places of heritage and see exploring new culture while others appreciate more shopping and leisure activities.
- Outdoor activities: water sports, diving, hiking, visiting game reserves, wild life safaris, balloon safaris, swimming with dolphins, and other amazing adventures.
- Food and wine: tasting different cuisines in different destinations, visiting different restaurants and wine tasting in vineyards or restaurants.

### **Tour agents/ tour operators**

By using tour agents or tour operators the customer has an advantage of having the tour agency either offer ready made holiday packages or a customized holiday package according to the customer's needs and wants. The agency will be responsible for all the planned leisure activities, choices of accommodation and transportation, this makes it extremely important for them to choose the best quality and services for their customers

during their holiday. The customers will benefit from this because they do not need to spend hours on researching and reviewing information online about their travels, and because the agents have experience and familiarity they will always offer a wide range of activities and sometimes special discounts and they can also advice the customers on the different experiences with the destinations according to seasons, for example about the weather and how it affects mass tourism or how it affects the tourism services etc.

Although the tour operators and travel agencies are affected by the internet leading to the growth of different online booking companies, people prefer to book their own flights and plan their own trips because they will get better deals without having to pay to an agent for it, this will obviously affect the agencies but there might be a way to salvage their business by focusing on luxury customers and promoting the growth in luxury tourism.

### 3 CUSTOMER SATISFACTION

Customer satisfaction is an emotional feeling of fulfilment of the buyer's expectations, needs, desires and wishes which leads up to being satisfied. Customer satisfaction is the term used to measure how products and services offered by a company meet the customers' expectations. (Client Heartbeat Blog, Jan 20, 2014 online)

Customer satisfaction important according to Lucjan Kierezak (online), because it helps companies create a framework which will help them manage and improve their companies' success.

#### **Importance of customer satisfaction**

**Customer loyalty:** High standard customer service will guarantee loyal customers. According to White House Office of Consumer Affairs, on an average, loyal customers are worth up to 10 times as much as their first purchase.

- **No customers:** When dealing with customer satisfaction you need to continuously improve the quality of your services even when you have loyal customers hence you cannot get guaranteed customers forever. In order to keep customers and have more coming, the companies need to try to understand their customers' needs and expectations and also what their perception is of the products and services already offered by the company. So to achieve this the companies should ask their clients questions through a survey and also offer constant support.
- **Adding value and increasing revenue:** Happy and satisfied customers end up being loyal customers hence always choosing you over your competitors, they will remain loyal and continue to repurchase again and again, they will even prove to be helpful by recommending your company to their friends and family.
- **Standing out:** If you are giving good quality standards and excellent services, customers will be attracted to your business and even when they try to compare your company with others, they will still end up coming back, so it is the key to give amazing customer service and good quality products to your customers.

### 3.1 Factors affecting customer satisfaction

Customer satisfaction is based on the image that the company portrays and the quality of the products and services the company provides. Factors that affect the customer satisfaction can be divided into two categories;

- the quality image of the products and services
- the behaviour/ hospitality of the supplier

If a company has a good product but poor hospitality and vice versa, the company will not be able to fulfil the customer satisfaction. So in order to have a successful business the quality image of the products and services must match with the attitude or behaviour/ hospitality of the supplier. (Kotler, Keller, Brady, Goodman and Hansen 2012, 749.)



FIGURE 3. Factors affecting service quality (Kotler, Keller, Brady, Goodman and Hansen 2012)

**Perceived quality:** this is based on the customers' opinion about the quality and standard of the products and services customers purchase, it focuses more on the actual customers' satisfaction.

**Customer expectations:** this is the perceived value the customers intend to find or get from the products and services they purchased. In order to achieve customer satisfaction the quality of products and services must match the customers' expectations.

**Perceived value:** customers do not usually know the true costs of the products purchase, perceived value is based on the individual needs and wants of a customer, some products or services might be unnecessary or not seem important for a person's life or survival but in the customer's mind it is a must to have, the customer needs to have it and so the products or services become worth the price to that individual customer. In most cases producers create strategies to increase the perceived value of products by trying to create advertisements that will have emotional connection with people's needs and wants.

**Customer complaints:** these act as customers' opinions of dissatisfaction with products and services and can sometimes be customers' reports to the company about their experience of the products and services they purchased. In order to have a successful business, all customers' opinions, complaints and reports should be revised and understood to improve the quality of products and services.

### **Measuring customer satisfaction**

In order to have a successful business it is important to know to what extent customers are satisfied and also to know what needs to be improved to make the customers even more satisfied and delighted (Bo Bergman & Bengt Klefsjö 1994, 286) and this information can be obtained from the systematic customer survey.

Ways of measuring customer satisfaction include customer surveys.

Measuring customer satisfaction can be difficult at times because you cannot rely on customers' feedback alone hence some customers prefer keeping quiet even when they are satisfied i.e. people are different, most can react and express their feelings while others cannot be bothered (Tom Smith, July 11, 2014, online; [insightsfromanalytics.com](http://insightsfromanalytics.com)).

Measuring customer satisfaction should become your daily habit and not something you do from time to time and only if you are about to face a crisis management. (Lucjan Kierezak online, [Survicate.com](http://Survicate.com))

### The service process and customer satisfaction

Satisfaction happens when a customer is happy with the services and interaction provided by the company. The following are issues that a service provider should be aware of while dealing with customers. (Kotler, Keller, Brady, Goodman and Hansen 2012, 746.)

- Avoid customers being dissatisfied.
- Create satisfaction at all times.
- Involve the customers.
- Keep a close eye on satisfaction and dissatisfaction making sure to please and give the same service to all customers.
- Creating a feeling of achievement on the part of the customers after receiving your service.

#### 3.1.1 Understanding customer behavior

Sometimes during or before receiving a service the customers create expectations on the products or services they are purchasing. So the quality and performance will be judged based on the expectations that were created at the beginning in the customers' mind, therefore when dealing with customer satisfaction it is very important to understand and make decisions on how they buy and examine those decisions. Customers do not behave the same way, so the results will be different according to the different characteristics, individuality and personality. (Hill & Alexander 2006, 46.)

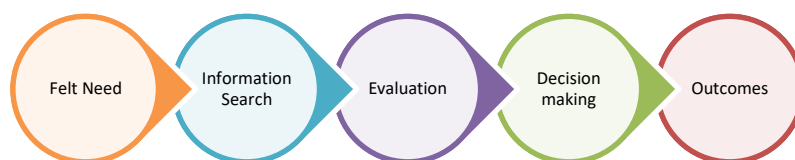


FIGURE 4: Buying decision process of an individual purchaser (Hill & Alexander 2006)



The following explains the buying decision process of an individual purchaser, shown in figure 4 (Hill & Alexander 2006, 50, 51, 52):

**Felt need:** This is the stage where the customers realize that they have a problem or just basically need something. It can be a personal problem like a person's needs or something unnecessary but still important for the customers' wants at that moment.

**Information search:** this is the stage when after the customer has recognised the need for something he/she will try to find ways of solving the problem. Sometimes the problem can easily be fixed by acquiring what was needed and sometimes in order to fix the problem the customer needs to seek information.

**Evaluation:** this is the stage that can stimulate the customer to purchase a product or service from the company. The decisions made are usually influenced by beliefs, attitudes and intentions. Below there are the three components of customers' evaluation processes that are very important when trying to understand customer satisfaction.

- Beliefs; these are core values of persons depending on how they have been raised and what social backgrounds they have.
- Attitudes; this can be judged based on the customer's preferences, things that he/she likes or likes by his/her friends or family. This is the customer's way of thinking or feeling about something.
- Intentions; this involves what individual persons want to achieve from the decision they are about to make.

**Decision making:** this stage can determine the outcome of the buyer's intentions, to buy or not to buy. Although it is not the final decision stage, the customer's decision will depend on what happened before or during the buyer's purchase i.e. depending on the brand, service provided, quality, timing and payment method.

**Outcomes:** this is the final result of the buyer's decision. The buyer who decides to buy will end up totally being satisfied or less satisfied but whatever the outcome is the buyer will remember it and this will influence future purchases.

### 3.1.2 Service product

In hospitality we deal with the service product. It is important to understand the service product concept in order to have a successful tourism marketing. Below are the characteristics of services.

**Services are intangible, inseparable, variable and perishable**

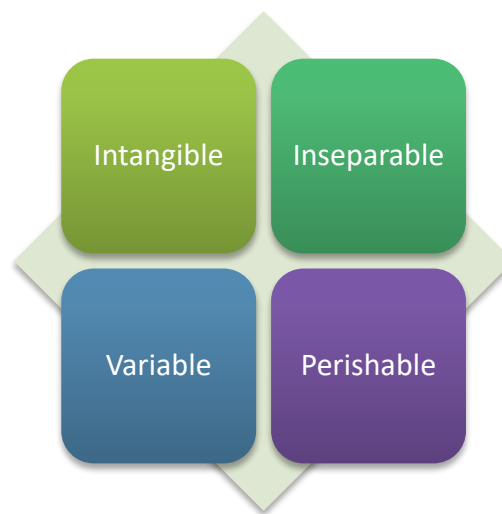


FIGURE 5: Four characteristics of services (Kotler & Armstrong 2010, 269)

**Intangibility:** This means that the service cannot be seen or tasted in advance, it can only be experienced when the customer is receiving it at the company by the employees. When buying a service a customer does not know in advance what he/she will receive.

**Inseparability:** This means that in order for a service to be provided both the customer and service provider must be present. The interaction between the customer and the service provider is the actual service.

**Variability:** This means that the quality of service depends on which employee provides the service because services can differ depending on individual characteristics of persons so the same customer might get a different service each time.

**Perishability:** This means that service products cannot be stored for later use, they are not like actual physical products, for example electronics or clothing. So marketers in tourism industry must create good strategies in both pricing and marketing communications in order to sell all their services in one particular season, they also have to find a way of dealing with excess demand. Once a service is given it can influence future decisions to do business with the same company again. If a service cannot be received when scheduled, its quality will change. (Kotler & Armstrong 2010, 269-270).

### 3.1.3 Service quality

All customers pay for services in one way or another, and depending on different companies the experience will obviously differ from good to awful. The following are dimensions of service quality.

Quality is what attracts the customers to a service. When customers love your services they will be loyal despite the other alternatives provided by your competitors. Creating a fake image or under-pricing the products or services will create a short-term fluctuation. Only quality can sustain customer loyalty and love or adoration for your products or services (Myron Tribus, ASQC Statistic Division Newsletter, 1990, 3, 2; Bo Bergman & Bengt Klefsjö 1994, 17.) During the development of SERVQUAL, a methodology for measuring service quality by Parasuraman, Zeithaml and Berry (1990) the dimensions of quality were reduced in five main dimensions as seen in figure 6.

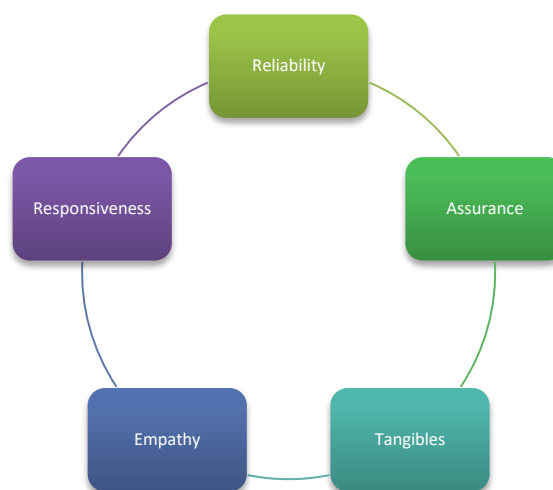


FIGURE 6: The dimensions of quality by Parasuraman, Zeithaml and Berry

**Reliability:** This refers to the company's ability to perform the service accurately and deliver what was promised by being in time or keeping time, keeping consistency and having no errors.

**Responsiveness:** the company's ability to respond to customer's problem or enquiries right away.

**Assurance:** Employees' knowledge and ability to maintain courtesy and good communication by being easy to approach, showing respect for the customer and kindness, competence and effective communication.

**Empathy:** the company's ability to show genuine care and concern for the customer by being approachable, provide good communication and willingness to help.

**Tangibles:** This is the physical appearance of the facilities, equipment, employees and communication materials of a company, it is how visually the company appears to the customer.

Investigations using the SERVQUAL have provided that reliability is the most important of the dimensions while tangibles is the least important.

The employees are the face of the company and they are responsible for delivering the dimensions of quality, so in order to ensure that the dimensions of quality are delivered perfectly, it is important for the company to create a good working environment for the employees, a happy employee = happy customers. If the employees are given the right tools to work with (training), treated well and appreciated then the customers will be given a happy experience.

The quality of a service is important to any business providing services because it can lead to success or failure of the business (Setrag Khoshfian 2006, 9). The quality of a service is defined in terms of security, reliability and performance, yet the most important part of service quality is the customer and not just any customer! For a company to be successful it will need repeat customers.

### 3.1.4 Services marketing

When creating a service you need to understand the customers' needs, decision making and behaviour while purchasing services. Before buying the customer will search for and consider different options and then make the decision of whether to buy or not.

**Service encounter:** this is the stage after making decision to buy the product, it can be by personal contact purchase or delivered at the spot or mail from online delivery services.

**Post encounter:** The customer will evaluate the quality of what the customer received and compare it with his/her expectations, the outcome will alternatively affect any future interest.

Below is a three-stage model of service consumption that explores how customers make decisions, respond to service encounters and evaluate service performance by Christopher Lovelock and Jochen Wirtz 2006.

#### Stage 1 - Building the service model

Develop a service concept: This is creating a strategy that a company designs with an intent of connecting the customer needs and the way the company will fulfill them. Service concept includes core and supplementary elements.

- Select physical and electronic channels for service delivery: this refers to the situation where the customer needs to be physically present by visiting the service site or the service providers go to the customer or to online services where customers and service providers transact remotely.
- Set prices with reference to costs and competition and value: the company must create prices that match their cost and the actual service provided and always keeping in mind and into consideration how their competitors have priced their services.

- Educate customers and promote value proposition: this is informing the customers about your services through marketing communications in order to make them aware and interested in purchasing your services.
- Position the value proposition against competing alternatives: this is when a company strategically tries to differentiate itself from the competitors even when they offer similar services, this goes beyond pricing and the actual appearance and performance of the product, it involves speed of the delivered service, the accessibility of the location, behavior and attitude of the employees and the different range of options a customer gets to choose from.

## **Stage 2 - Managing the customer interface**

- Design and manage service processes: this is the process of building a framework that will show the flow and a clear plan on how a company will deliver services to the customers e.g. creating flow charts.
- Balance demand against productive capacity: depending on what services the company offers, it is always good to make decisions that match demand and productive capacity in order to control excess demand and excess capacity between demand and supply. Change in demand can affect productivity. Excess demand is when demand is greater than the supply which will increase and maximize the production capacity and cause a rise in price. Excess supply is when demand is smaller than the supply.
- Plan the service environment: this relates to the physical appearance of the surrounding that the customer experiences at the service site. Depending on what business is offered it's always important to capture the customer's eye and emotions from the minute the step inside the company site i.e. from how clean the place is to the attitude and behavior of the employees, the actual decor of the building, the different tools and services provided, accessibility, location, sounds, and sent.
- Managing service employees for competitive advantage: this is related to giving employees training from time to time on customer service. Employees are the only contact between the customer and the company, in order to create a good experience and customer loyalty the personal contact between customer and

employee must be pleasant otherwise the company will lose customers to competitors.

### **Stage 3 - Implementing profitable service strategies**

- Create customer relationships and build loyalty: good communication between employees and customers. Customers want to be heard, good communication will improve customer service and differentiate the company from its competitors.
- Handle customer complaints by looking closely at the problem, this will give the company clear insight of what the customer really thinks about the services and will give an opportunity to correct any mistakes and fix them quickly. According to Eastbridge Consulting Group, 70% of complaining customers will repeat business again with the company if the problem is fixed in their favor.
  1. Build trust with customers.
  2. Show compassion and concern with handling your customers.
  3. Honesty, credibility and reliability are important.
- Plan for service recovery and create customer feedback systems: service recovery is an act of fixing the customers issues in order to keep the customers. So even after a bad experience you have to guarantee to keep your customer, therefore customer feedback systems will help the company to find out customer dissatisfaction, to react to customer complaints and help the company know where to invest on innovations and what to stop wasting money on.
- Continuously improve service quality and productivity: this helps to generate more customers and also retain previous ones because you can keep the customers excited and delighted to experience something new all the time, and of course having exceptional services is the key to having a customer loyalty and standing out against competitors.
- Organize for change management and service leadership: it is important to manage how employees behave in the work environment by influencing how employees interact with each other, and create strategies that will be defined and pushed through by strong and effective leaders. This can be done by hiring the best qualified employees for each job and training and motivating them to work harmoniously together.

### 3.2 Service quality gaps

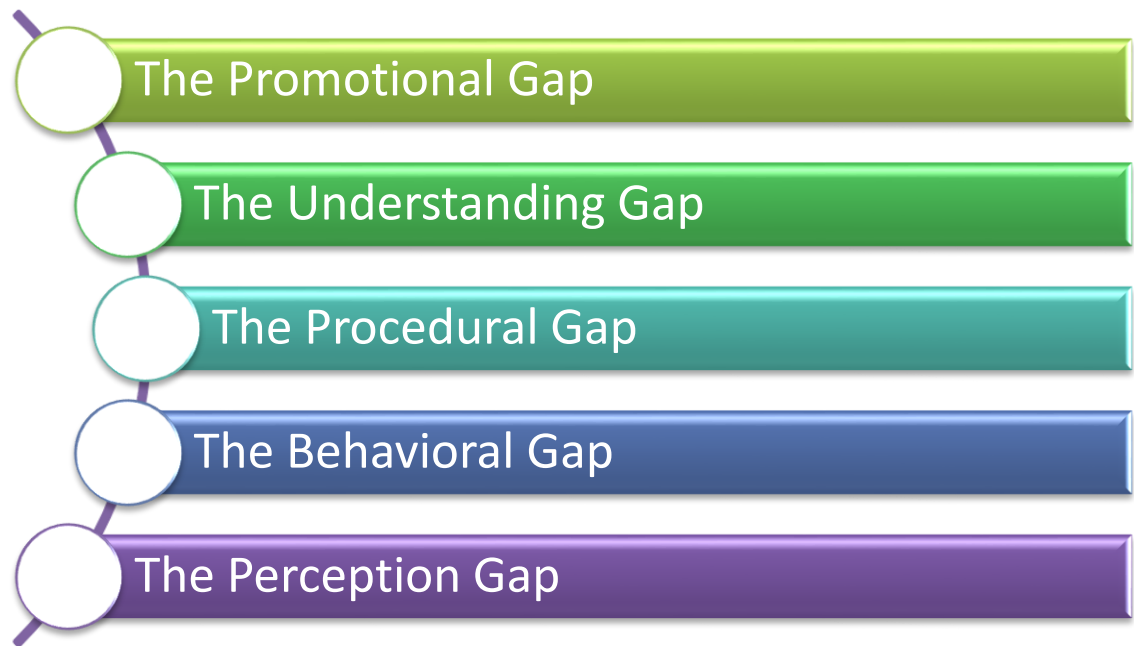


FIGURE 7. Service quality gaps (Hill & Alexander 2006, 6-8)

Service quality gaps result from a comparison of what the customers feel a service provider should offer to meet their expectations, in other words this is the difference between expectations and perception.

**1 The promotional gap:** This is the situation where by the company does not know what the customers expect and therefore the company delivers a wrong service that will not match their customers' expectations leading to dissatisfaction. This can be caused by not conducting enough marketing research, poor communication between the contact employees and the management team and lack of segmentation.

**2 The understanding gap:** This refers to the managers of the company not being able to understand the customer's wants and needs, therefore not choosing the right quality for their customers. When a company fails to understand their customers it is destined for failure

**3 The procedural gap:** This is when the company fails to plan the customer experience even if they understand fully but fail to deliver the services in the level of standard that is expected by the customer. For example a not being on time, not having qualified



employees, lack or unavailability on some services that were promised restaurant knowing that customers don't want to wait too long to get service after entering, but because there is not enough waiters so customers have to wait.

**4 The behavioral gap:** This is the situation in which the company's performance does not match to what it is promising. This can happen when the employees are not properly trained or disciplined to follow the customer service procedures all the time.

**5 The perception gap:** this refers to when a customer is upset after receiving a poor service at a certain point in time. The customers will change the way they see the company and even if it is from only one bad experience, it will take a lot of other good experiences before their perception changes and this is if they choose to return.

In order to archive the dimensions of service quality a company must understand the service quality gaps and try to bridge them.

## 4 CUSTOMER LOYALTY

Customer loyalty is based on an emotional bond between a customer and a company formed after a customer consistently being satisfied with the products, experiences and services provided by the company.

The best way to achieve customer retention is through customer satisfaction. Getting new customers can be very expensive, and the company does not have to spend time, money and other resources to find new customers while keeping the customers they already have is profitable.

### **Types of loyalty (Hill & Alexander 2006, 14, 15, 17)**

**Monopoly loyalty:** these are the customers that purchase from your company because they have no other option, so if competition arises near you then they will be the first ones to leave. Previous customer satisfaction surveys show that customers with no choice or alternatives are usually very dissatisfied. Their degree of allegiance is usually low. (Hill & Alexander 2006, 14.)

**Cost of change loyalty:** when a customer gets fed up with the poor services, products and experiences, they may end up leaving, and degree of allegiance is medium.

**Incentivized loyalty:** in this situation customers are usually won by the company creating motivations or stimulants to attract them, for example by loyalty points, bonus points etc. These customers can easily be lost if other companies offer different encouragement, the degree of allegiance is low to medium.

**Habitual loyalty:** this is the situation where customers purchase your products and services not because they are of good quality but out of convenience, it is very easy to lose these customers if a competitor opens up near you which is more convenient, offers better prices, bigger and more modern. The degree of allegiance is low.

**Commitment loyalty:** this is when the customers are willing to go above and beyond to purchase a product or service from a certain company because they believe that they have

chosen the best supplier for that particular product or service, the degree of allegiance is high.

### Customer loyalty levels

Suspects	These are potential customers for the company so this includes all the buyers, they either have no idea of the products and services the company is offering or they do but have no plan to purchase from the company.
Prospects	These are potential customers that have been impressed with the company and are interested in purchasing the company's products and services but have not taken the steps to do business with the company.
Customers	These are the ones that have purchased the company's products and services for the first time, though this can sometimes include the repeat customers who have no loyalty to the company.
Clients	These are the ones who have done business with the company and continue to do so.
Advocates	Not only do they do business with the company but they also recommend it to others.
Partners	This is the strongest level hence they share a common goal with the company through supply. The relationship is usually strong.

### The link between satisfaction and profit

According to Nigel Hill and Jim Alexander (2006, 23), it is self-interest not loyalty that keeps a customer 'loyal'.



FIGURE 8: The value profit chain (Hill & Alexander 2006, 22)

- **Employee satisfaction:** this is based on the ability to do a good job, employees who are properly trained to achieve customer satisfaction usually have no problem delivering a good and proper experience to their customers; when it comes to customer service customers enjoy dealing with people who are approachable, friendly and who show compassion to customers' complaints and demand.
- **Customer value package:** is the combination of selected products or services that add the value to the core product given to the customer. This serves as an additional bonus and will lead to customer satisfaction.
- **Customer satisfaction:** although customer satisfaction is the key to having a successful business, most suppliers do not deliver, customers still end up receiving poor service and communication and unreliable services from the service providers.
- **Customer commitment:** This leads to customer retention, committed customers are not likely to follow the alternative competition because they are convinced that their supplier is the best of the best, they trust that their current supplier will be able to satisfy their needs and will want maybe go beyond their expectations.
- **Customer retention:** loyal customers

#### 4.1.1 Building loyalty in brands

##### Step one: Focus on the customer

Even though luxury brands invest a lot of money on creating new products, branding and advertising them, the most valuable part is meeting the actual customer because this will help to understand who their customers are and what their expectations are.

*“None of us are in business of selling necessities; luxury is the business of creating and satisfying desires. (Belinda Earl Leo, Jaeger, Michel Chevalier, Michel Gutsatz 2012, 211)”*

##### Step two: The loyalty effect - turning repeat customers into brand advocates

Benchmarking has helped to improve customer loyalty hence benchmarking measures the performance of the company's products and services and comparing them to the outside competition that is doing better than them. If the company learns how their competitors

continue to remain up in the game then that will be the game changer into their own success. Benchmarking will help find what needs to be fixed and predict the outcome after the problem is fixed (online Business Encyclopedia).

When customers receive good quality services and products they will not only end up being loyal customers but they will act as brand advocates by advertising your products and services through word of mouth to their family and friends. So the company's biggest challenge is to turn their customers into brand advocates hence word of mouth is extremely important to a brand's success. For luxury brands to get brand advocates they need to add customer experience that exceeds expectations and meet the customers' expectations and create perfect quality experience which will be memorable, especially when the company goes out of its way to give an extra service that might not be part of the product or services offered (Michel Chevalier, Michel Gutsatz 2012, 214, 215). Major luxury brands have focused on service for all their customers.

*"When people walk into a Louis Vuitton store, they should get the best service in the world" (Bernard Arnault, LVMH 2009, Michel Chevalier 2012, 216)*

### **Step three: Delivering a unique brand experience and its major internal consequences**

In order for the company to deliver perfect experiences all the company procedures should be in good order and all the employees in line, giving them proper instructions and motivate them. Experience should come from every aspect in the company and it includes all the direct and indirect service providers. This step can be achieved by training the employees and for them not just to understand the company procedures but also to adapt brand culture and values. Hiring the best employees for the best job and qualified employees that will push the company's success to the next level. Evaluating continuously the employees who are in the face to face contact with customers. Motivating employees by giving them bonuses and commission depending on the sales and services they have provided to each customer that will be an additional sum to their salaries. Rewarding the employees by having employee of the month program but making sure that this does not create negative competition between the employees, leading on not working together as a team and in a peaceful environment.

There has been a lot of studies concerning expectations of luxury customers worldwide. Below are the shopping expectations from customers in the United States of America in the following shops Nordstrom, Neiman Marcus, Lord & Taylor, Saks Fifth Avenue and Bloomingdale's (Alix partners 2006, WWD July 13, 2006, Michel Chevalier 2012, 217).

- **Courteous and respectful employees;** No matter the age, color or appearance all customers should be treated the same way and provided with the best services.
- **Employees treating customers like they are valued;** the customer is the king.
- **Services should be quick and hustle free;** providing enough employees to make sure there are no long queues and making the buying process easy by creating a purchase flow guide that will be understood by the customers automatically after they enter the store.
- **Employees should cater for customers' needs** regardless of any inconveniences, going the extra mile to make sure the customers get what they want or need.
- **Short wait for purchases;** No or less queues especially for the luxury buyers because they hate to wait.
- **Well-groomed employees;** clean, smart, and professional looking and stylish. The employees are the face of the company.
- **Visually appealing stores:** decor and ambiance should be beautiful and attractive.
- **Employees' dress compliments stores;** employees should maybe wear uniforms that relate to the store and that will also help the customers identify them.
- **Information** is easily obtained by all communication systems, for example telephones, Emails and post.

#### **Step four: Building a brand contract and using four tools for retail optimization**

- **Defining a brand contract;** by defining a brand's basic contract the brand companies are able to achieve a successful customer relationship management (CRM), this is when the brands create a vision of how they want their brand to appear to customers i.e. what will be the quality of their products and services, what kind of service they want to offer, how they will continuously improve their products and services and how they must pay attention so that their vision is taken into action (Hugues Cailleux & Charles Mignot). This contract will be there for the benefit of the customer.

- **Client segmentation;** because customers are different and have different characteristics, brands have to select ways to cater for their different needs. It is easier to make clear segments to decide what service needs to be given to what customer groups, for example first time buyers, repeat customers and loyal customers. The first time customers must be treated in a very special way so that they can come back again while the loyal customers must be treated exceptionally well in order to keep them as customers. The second example is the segmentation through customer individual backgrounds and preferences and all this can be conducted by using in depth interviews with the customers. Every brand has its own customer segmentation policy.
- **CRM and database management:** this is the situation when brands create or provide different customer feedback channels for the customers i.e. emails, phone services, mail or fax.
- **Measurements:** it is important to measure the performance of the brand from the product's first purchase moment, this can be from online purchase experience, customer service experience or store purchase experience. Most luxury brands use mystery shopping as their performance measuring tool.

#### **Step five: Defining customer journeys and identifying the critical touchpoints**

This is when the brand creates a clear guide on how the other processes will happen after the purchase. Depending on whether the sale was online or in store. The process includes the warranty of the product, cleaning and maintenance or repair, return policy and delivery process.

#### **Step six: Customer experience guide (designed for luxury brands)**

It is important for luxury brands to design a customer experience plan that will be used as a guide for their journeys. In the following there is the five phase method used in building the experience journey:

- **Knowing your customers:** this is the situation whereby the brand conducts interviews with the customers in order to know their insights, understand the customers' behaviors, their expectations and motivations leading them to selecting the particular brand, product or service. The customer information can help build customer segments.

- **Building cooperation and sharing knowledge:** this is the situation whereby brands aiming at achieving customer relationship management start associating themselves with other brands with the same goals, creating workshops that will help the different brands to learn from each other about different ways of controlling CRM by discussing on marketing ideas and product management. This will lead to building a customer experience project team.
- **Building ideal customer journeys:** creating sample models that customers can test and experience beforehand and give their opinions about them to the management.
- **Building seniority:** the project team should create a long term vision that predicts any future situations that will involve the product and brand.
- **Action plan:** this is the situation where all the information, discussion, samples and scenario are put together in a project plan so that they can be put into action.

#### 4.1.2 The benefits of methods

These methods help a brand to turn the information given by the customers together with the knowledge provided by the company experts into solid ideas that can help to solve problems or create new innovations. These methods deliver the following benefits (Chevalier & Gutsatz 2012, 226):

Customer experience focus gives the following benefits

- Provides customer insights
- Helps in planning the customer journey
- Helps in planning and correcting the brand vision

Experience design method

- Inclusive: collaboration with other departments through workshops and discussing different idea.
- Concrete: after the workshops there is as result the creation of new prototype samples that will identify the problems and ways to fix them



### 4.1.3 Customer perception survey

Customer perception survey is very important for companies that aim at keeping their customers satisfied. This survey is suitable for different business in both private sector and public sector, it can also be done by professional service providers who depend on customer retention. Company managers who want to monitor the company's performance and managers who want to know what their customers think about the quality standards and services provided by the company can use customer perception survey for existing customers. (Hill & Alexander 2006, 39.)

Customer perception survey is easy to conduct, it is mainly something that company managers can do by themselves without using a commissioned researcher to perform it, so this way the company is able to save some money.

According to Nigel Hill and Jim Alexander (2006), the advantages of customer perception survey are as follows:

- Measure customer satisfaction with your total product
- Compare your own performance with customers' expectations
- To identify priorities for improvement
- To provide data for monitoring improvements
- Build average account values
- Keep ISO 9000 assessment bodies happy

The disadvantage of a customer perception survey is that this survey will be directed towards the already existing customers, customers who have already once purchased the products before so then there is a missed opportunity to target other outside customers' views to get the general idea of what is their perception and maybe that could even be the reason why they are not doing business with the company.

Customer perception survey involves only the supplier and it will measure the satisfaction level of its current customers, it is cheap on the fact that you do not need to hire outside help and can use the company resources. It serves businesses of a small scale with less competitors, and customer satisfaction survey needs proper planning and scheduling to be effective.



FIGURE 9. Google search for Tanzania Yacht Charters

## 5 DISCUSSION

The research was conducted in order to understand the customer perception and see if the company is able to fulfil its customers' expectations, with reference to the theoretical framework. Luxury tourism is linked to both products and services, while services being also products. There are different levels of luxury, and in our everyday life every individual person has his/her own opinion about what luxury is or not, based on his/her own social and personal background.

The research also explains different luxury tourism services which are accommodation, transportation, experiences and travel agencies/tour operators. The researchers' focus was on accommodation and experiences, combining them with luxury. Experience is related to an understanding of customers' perception results, which was acquired from the company's customer enquiries and the online findings from the customer feedback system on the company's web page and through TripAdvisor. Experience is also linked with the six steps of building customer loyalty in brands.

Managers need to understand that luxury tourism is growing and luxury customers want to spend money on experiences rather than material things, and when customers receive good or bad experience they never forget. In order to get loyal customers companies must provide quality services, the only way to ensure consistent service quality is by training the employees on customer service, after all employees are the face of the company and the direct contact between the company and customers. It is important that companies know that employees are the most valuable asset to the company hence they have the power to build or destroy the company's reputation.

This research states that in order for companies to be successful they must work on the service quality gaps and understand the customer's buying behaviour. This research included the tree stage model of service consumption that explores how customers make decisions in response to service encounters, therefore aiding the company with evaluating the performances which is a very valuable insight for all businesses.

## Results and analysis

The company seems to have very positive reviews from the customer feedback. The customers appreciate the condition of the boats and facilities that the company offers, the food served on board is said to be amazing, some customers of the customers claimed that the food was better than the food served off board in the surrounding restaurants. The customers also appreciate the breathtaking and amazing views which came with safe diving locations and the overall experience provided by the crew. Because the customers pay for tailored holiday packages the company is well aware of the customers' needs and expectations, and this is a good bonus for the company.

One female guest, who was once a guest in yachts gave her reviews through the company customer feedback testimonials saying: She and her partner were looking for relaxation but also for experience how it is to live on a boat for a few days, the couple's expectations were more than fulfilled, they had an opportunity to discover places that make you wonder "which planet you are on", they had a wonderful time fishing and met locals with smiling faces in Pemba and enjoyed the water sports facilities and activities. She went on praising the amazing service they received from the crew saying that they were very professional and explained that they had multiple skills i.e. the chef was good with electronics and had first aid skills, he helped remove urchins pins off her partners foot, and the fact that all the crew had sailing skills impressed her so much. She commented on the safety issue explaining that they felt safe throughout their stay with the crew and even though they were provided with the security it did not feel obvious, the crew managed to be discreet and efficient without being intrusive.

With reference to the interview the researcher had with the founder and director of the company she found out that the manager was very well educated about luxury products and services and service quality. Her answers were professional and she seems very passionate about her work, she explained on how they motivate their employees by sponsoring their kids by paying their school fees, something that the researcher found to be very interesting hence it is part of giving back to the locals.

## Conclusions

Luxury tourism has become a serious market hence more and more luxury tourism services open worldwide and people are looking for luxury travels in an increasing amount, predictions have been made starting from 2016 and ending to 2022 showing that luxury tourism is the fastest growing segment in the travel industry worldwide. Tanzania seems to be missing out on well-paid luxury tourism because the Tanzanian Tourist Board (TTB) has no records containing information of the high profile tourists who visit the country annually and seems to have no idea on how to collect the statistics, and this is something that the TTB must work on. While luxury tourism is growing, Tanzania does not have much to write about when it comes to hosting high-end spending tourists. Currently Tanzania hosts about 6.3 % multi-millionaire tourists a year.

The luxury travel market includes luxurious accommodations, convenient transportation and authentic experiences. While luxury tourism is growing, the continuous growth of luxury tourism creates some serious competition between tourism destinations and luxury tourism service providers. In order to stand out and succeed in luxury tourism industry companies must be able to understand luxury tourism services, understand their target customers' needs and expectations, follow up the customer perception and of course manage the service quality. Overall this Tanzania Yacht Charters company seems to be heading on the right direction and the future success is very promising hence the company is able to fulfil most the customers' expectations. However, even with a lot of positive reviews it is important that the company continues to innovate and create new and fresh ideas, to keep upgrading the products and services it offers so that the company continues to be appealing to its customers and to attract new customers as well.

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## APPENDICES

### Appendix 1. Interview

#### **1. What is your position in the company?**

I'm the founder and managing director of Tanzania yacht charters. As such, I'm ultimately responsible for deciding how all departments within the company function, for the safety and satisfaction of all our guests, and for charting the course for the company's future. TYC is a small family business, we keep a relatively small permanent staff of 15, so on any given day I could be doing a wide range of necessary tasks including dealing with government officials, yacht inspections, meeting and greeting guests or ordering a special champagne or whiskey for an arriving group of VIPs. However my husband and business partner is responsible for all offshore operations on the yachts. With a fleet of 5 high-end yachts to manage and maintain as well as onboard staff to train, he has his hands full with that. I tend to focus on everything that happens on dry land, including marketing, sales and customer care.

#### **2. How do you find out about your customers' needs and expectations?**

It helps in this business to be able to anticipate what the customer is looking to experience in advance. We are serving high net value families and individuals who often work very hard and are short of time. Yacht charterers are usually well travelled, educated and expect the highest standards when it comes to all aspects of their holiday. Everything needs to be the best it can be; from the condition of the yacht, hygiene, food and entertainment, to of course the professionalism of the crew. However the crew is trained to be regularly asking for feedback from the guests. It's not a mechanical process, we deal with any needs we have not anticipated as and when they arise. The key is to be flexible and responsive. However even before the guests arrive we already know much of what they will be expecting. We send out a detailed questionnaire covering what type of cruise they would prefer, their food and drink preferences, languages used (so we can make sure to send the right crew), what music they prefer. Much is preplanned down to the finest detail because the last thing our guests want is to waste time on trivial decisions or to cast off without the right supplies and have to make unwanted detours during their holiday.

### **3. What do you understand with the concept of luxury tourism?**

Yachting is one of those activities that lends itself perfectly to the concept of luxury tourism. It's not accessible to everyone because of the costs and skills involved so it's exclusive. What could be more luxurious than being served freshly grilled fish by your own private chef (perhaps one you caught yourself), while watching the sunset over a private sandbank with no other tourists around. With a yacht you go where those with only access to a car cannot go. You see the authentic life and culture of a location because you visit cut off and often uninhabited places where the locals are eager to show you how they live because visitors seldom come. You have your own staff to anticipate every need. Of course the comfort level and standard of food is very important, however yachting is more sport than spa. Guests are prepared and expect a level of discomfort (if only from the rocking of the yacht in waves), the adventure and element of danger is part of this kind of luxury stay. It's about having amazing experiences. The vast open sea and its islands become your own private space of freedom. What could be more luxurious than that? For a certain type of customer privacy is the ultimate luxury.

### **4. What do you think service quality includes?**

Meticulous planning and consultation as part of the sales process. You want to enable the customer to help you to create the perfect itinerary for their needs even before they buy. This itinerary has to provide them access too hard to reach beautiful locations, throughout their stay at a sailing pace they are comfortable with. The menu needs to be to their taste, so we consult them on exactly what they would like. If they have any special needs we cater for that. Luxury services include sending the customer any information that they may need as the time draws nearer to their arrival. Communication is key here. They deal with the same person throughout the sales and planning process. That same person will meet them at the airport when they arrive so it's a more personal welcoming experience. A large high end vehicle (air conditioned of course) will meet them at the airport. From then on it's all about sticking to the travel itinerary as much as the client would like while dealing with any new requests. Some of the luxury services we offer as part of our itineraries include accompanied private island treks, deep sea fishing, assisted snorkeling, scuba diving, sandbank picnics, yacht deck parties, village tours, kayaking, sailing and



navigation lessons, champagne sunset parties and kitesurfing. Plus of course there are the 24 hour services of a private skipper and chef as standard. Fresh flowers are delivered to the yacht. We use only the finest linen. With a deck hand as additional crew we can clean 24 hours a day and increase security. Food includes the best and freshest ingredients including lobster, oysters, foie gras, truffles and any other ingredients a guest may desire. Our chefs are trained in making an assortment of cocktails and mock tails to suit every palette.

### **5. What in your opinion luxury services include?**

Luxury services in my opinion include a level of exclusivity of location, comfort, attention to detail and a personal touch wherever possible. In our business it also includes offering privacy as yachting is a very exclusive and private way to see the world. When you have 2 to 3 members of crew for a maximum of 4 to 6 guests, everything the crew does for the guest is going to feel very special. There is very little that the crew cannot organize if the guest requests it. For example if the guest requests a birthday or anniversary cake while at sea. The pantry is always stocked and ready for this. If the guest wish to sleep under the stars on deck, this can quickly be organized. Want to have a karaoke party for the children? Sure why not we have the equipment on board. Want to go on a real treasure hunt on an abandoned island? We can even provide this service.

### **6. How do you measure the quality and standards of the products and services the company offers and how often (customer satisfaction)?**

Every customer is given a feedback phone call a couple of days after they get home to evaluate their experience. We also send a feedback form by email so we can learn as much as possible about our performance and customer satisfaction. However with yachting it is customary for the guest to tip the crew before the guest leaves. Usually the bigger the tip the more they enjoyed the holiday. We also have a guestbook on board for the guests to leave comments before they disembark. All these channels give us a pretty clear idea of how we are doing and if we have a potential repeat client or at least good reference for future business.

### **7. How do you maintain and manage service quality in the company?**

The onboard crews, who are the most important service providers in the service chain, are regularly trained using a method we call dress rehearsing. My husband and I will use empty slots to travel with these crews on the different fleet yachts and run through different scenarios where a crew member may need to think on their feet and respond quickly and appropriately. We the management play the guests and the crew being trained have to do their best to serve us. We've had training day titles such as "the rudest chartered on earth", which was all about dealing with demanding customers; "Oops I forgot the salt", which was about dealing with cooking catastrophes. It can be quite a fun experience, however when it comes to yacht safety drills and first aid at sea it's no laughing matter but life and death. So we take this very seriously. After each trip the skipper is responsible for writing a performance review of his crews so any problems can be addressed. Concerning training for the management, we try to stay up to date with the latest service trends in the industry by attending yacht charter shows, and reading the industry publications.

### **8. How do you motivate your employees?**

The way to motivate staff in my experience is to know what their personal goals, dreams and interests are; as well as their family situation and needs. We are working in a third world country here so money as pay plays a large role in how motivated a worker is. We pay a good basic salary but also offer to pay for language and other skills courses. We sponsor some of our staff members' children education. We offer cheap loans. As previously mentioned we are fortunate to work in a business where tipping is the norm. When the staff do well, they are often tipped well. The crew get to keep their tips divided equally among them so there is a high motivation to offer the best service.

### **9. What are your priorities when it comes to improving service quality?**

Once you have a very high standard of service throughout a fleet of owned and managed yachts, the best way to keep improving is to upgrade the yachts regularly and bring newer yachts into the fleet. This is an industry where the customer associates newness with more value. An obsolete yacht fleet is the worst that can happen in this business as however good the human service is, a large component of customer experience relies on the wow factor and impressiveness of the yacht itself. Also charterers are looking to sail on ever

larger vessels. The trend is for more and more spacious yachts with amenities like Jacuzzi, jet skis and full size baths onboard. This is the direction we are moving towards.

**10. Do you have a customer feedback channel? If yes, what kind of channels?**

As previously stated, we have onboard guest books on every yacht. We send out an email feedback questionnaire, we call the guests after they get home and we keep a close eye on the tips/gratuities left by the guests for the crew onboard after the trip.

**11. How do you handle customer complaints and reports?**

We try to listen to the customer fully and without any judgement. We make sure we've understood the customer. We tell the customer what solutions we can offer and when we can deliver. Usually this is enough to rectify any issues that may occur either before, during or after the trip. As we are dealing with high net worth individuals (sometimes even royalty), it is unrealistic to expect no complaints at all. These people are paying a hefty price for what they hope will be the best money can buy so their complaints are a good opportunity to show how effectively we can problem solve.

**12. Do you feel that your products and services meet the customers' expectations?**

The vast majority of the time; yes I think we do because this is what they tell us. What a wonderful time they've had. They're rejuvenated or they've rekindled a romance or the honeymoon was better than they dreamed. We have to go by what the customer says. It's even better when they recommend us to their friends directly or through social media. However we cannot be complacent, there's always room for improvement.

**13. How can you further develop or improve customer satisfaction through service quality?**

The challenge within the yacht chartering business as I previously stated is to not only maintain these floating hotels but to be adding newer and bigger models every few years. While selling older models on the secondary market or releasing them from management. To do this we must keep occupation as high as possible through offering more luxurious exclusive services as part of our holidays. I see us offering faster, bigger more luxurious yachts in the future. On these kind of vessels we can staff award winning chefs and offer

even more offshore activities like jet skiing, windsurfing, waterskiing, deck massages and Jacuzzi spas.