

Small is beautiful – the small-company soul of Red Carnation hotels

David McCaskey and Red Carnation's Managing Director Jonathan Raggett look at the success of this leading niche player with a strong position in London. Not for the first time, the contribution of a motivated and skilled workforce is crucial.

RED CARNATION HOTELS (RCH) is an eclectic collection of nine unique properties bound together by a passion for hospitality and an absolute commitment to service ... service ... service. In the consolidating world of global hotel companies and their often commoditised brands the smaller, and thus more manageable, size of Red Carnation allows it to truly say with conviction: welcome to your home from home—alternatively, *mea casa est sua casa*.

Jack Welch, renowned CEO of one of the world's largest companies, General Electric, agreed with The Economist's assertion that 'the humbling of big firms has only just begun' when he declared in his 1992 annual report:

What we are trying relentlessly to do is get that small company soul—and small company speed—inside our big-company body.¹

In Red Carnation that soul and responsiveness may be evidenced by its nightly 65-percent repeat occupancy by individuals; this rises to well over 80 percent if you account for corporate sponsors and regular agency bookings. Support may also be found in their excellent Investors in People (IiP) audit which found that

all were committed to exceeding expectations, each hotel in the collection was dedicated to providing business and holiday guests with the highest level of professional, warm and friendly service where the philosophy that no request is too large, no detail too small reigned.²

All this may be entirely affirmed within the 2003 *Harden's Hotel Guide* where their Milestone Hotel in Kensington Court was awarded the accolade as the

Finest and Best Hotel in London. Against all criteria it swept the board, being described by the reviewers as 'fabulous in every way possible'.³

Within the Leading Small Hotels consortium The Milestone achieved the highest score for a hotel in Europe and, to crown this, the Red Carnation Collection were presented with the prestigious *RAC Credit to the Industry Award for 2005* in recognition of its ongoing dedication to excellence. Every year the RAC recognises the independent hotel group which has demonstrated an effective investment in quality and set new standards in customer service throughout all areas of operation: accommodation; facilities;

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décor; dining and staff. The RAC inspectors singled out Red Carnation's London properties: The Milestone, '41', The Chesterfield Mayfair, The Montague and The Rubens—in total, 550 rooms. When collecting this award MD Jonathan Raggett (along with Bea Tollman, founder and president of RCH) was widely reported as saying:

Our commitment to quality over the years—even in the bad times after first foot-and-mouth, then September 11—has never wavered; it's at the core of how we operate in every one of our hotels. We have a dedication to service and are always seeking not just to maintain but also to improve standards, and it is extremely gratifying to



have this recognised by so highly regarded and demanding an organisation as the RAC, which sets the standards for the industry to follow.

The Collection is completed by other award-winning hotels in Dorset in England, Geneva, Cape Town and Palm Beach, Florida.

In this review and analysis we will examine the case for small luxury hotels and deconstruct the components which, in combination, add up to the Red Carnation experience. The concept of ‘experience’

putting a contemporary spin on a classic, sleek, understated five-star hotel

has moved on from that formulated by Pine and Gilmore, where companies create value by stage-managing experiences for customers,⁴ to that suggested in a more recent contribution by two prominent thinkers on value creation, Prahalada and Ramaswamy, who see the customer as co-creator of value with producers. Products and services become the foundation on which broader experiences are built:

The burgeoning complexity of offering ... confounds and frustrates most time-starved consumers. Product, service variety has not necessarily resulted in better customer

*experience.*⁵

In their view, the future belongs to companies that ‘co-create value’ in partnership with customers, involving shared experiences.

The case for small luxury hotels

Gillespie and Morrison proposed that elite hoteliers have utilised the best of time-honoured tradition and have restyled to titillate and rejuvenate contemporary demand within a specific niche market. They cite Conway who describes this as ‘putting a contemporary spin on a classic, sleek, understated five-star hotel’.⁶

The niche marketer specialises by focusing on a select band of customers. They survive by finding a safe, small, profitable market segment—often apparently too small and individualised to attract market leaders and challengers. Nichers specialise and can, as

Table 1 Sensory differentiators in elite establishments

Experience something new	Relax, unwind and rejuvenate
Hotel’s positive reputation	Celebrate in superior ambience
Place to ‘be seen’—‘aspirational’	Entertain
Appreciate the virtuosity of the design	As a statement of self-identity
Uniqueness of the theatricality	Conspicuously ‘do business’
Adventure associations	Experience an elite lifestyle
Transformative encounters	Escapism and fantasy

here, genuinely prepare a marketing mix that exactly meets their target customer needs.

About 25 percent of reservations are received via the Leading Small Hotel consortium, often the preferred booking system for corporate guests.

Gillespie and Morrison found that the combination of design and fashion were deliberately oriented towards the influencing of purchasing behaviour and satisfaction of both the psychological and physiological needs of the guests. In this way elite hotels actively create a form of 'lifestyle accessory' which can provide a stage on which customers can enact their carefully designed identities. They postulate that elite establishments develop powerful sensory differentiators, as shown in Table 1.

Frequently, the signs, symbols and their role in the assignment of meaning are expressed in a semiotic language which consumers have learned to interpret. To achieve this, Gillespie and Morrison argue, we need to develop a cultural understanding for the market and cross-cultural communications platforms designed to work with the highest common factors. This means understanding the most motivating emergent meaning of, say, 'indulgence': which meaning will work best for your hotel? What you are trying to do is to encode the meaning/s of the experience you provide, in combination, into a sensory phenomenon.⁷

In a later work Gillespie, whilst accepting the conventional viewpoint of an increasingly consolidated and branded hotel industry, does detect a discrete elite fringe where

*there has been recognition of the value of creating an aura of elitism; this remains the niche of the wealthy, international, business-and-leisure, frequent traveller who is attracted by elite lifestyle products that offer an enticing interweave of fantasy and reality.*⁸

Gillespie draws on a profile of Atef Mankarios, CEO of Forest Hills and Resorts. Mankarios's core values are 'creating, preserving and respecting relationships'. At the luxury and individual end of the market, he emphasises, you need to understand why the customers you have identified as your target market come to you and not the other one down the street or in the next city. When they come to you, what do they expect? What are their expectations? It takes a lot of homework; it requires a lot of time expended listening and asking questions—but really listening. There is much evidence of continuous and ongoing listening at Red Carnation hotels and from this generation a programme of continual improvement to meet the real expressed needs of their guests. For Mankarios the experience is the product and the creation of the product is the experience, and the quality of the experience is obviously the product.



Catering for the sophisticated

In his famous satirical look at American society, *The Theory of the Leisure Class*, Thorstein Veblen first discussed the motivation of consumption. He felt that the major role of products lay in invidious consumption: they were used to inspire envy in others through dis-

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play of wealth or power. He coined the term 'conspicuous consumption' to refer to people's desire to provide prominent visible evidence of their ability to afford luxury goods.⁹

Solomon suggests that Veblen was motivated by the excesses of his time. He wrote in the era of the robber barons, when the likes of J. P. Morgan, Henry Clay Frick and William Vanderbilt were building massive financial empires and flaunting their wealth by throwing lavish parties.¹⁰ Some of these events of excess became legendary, as described in the following account by John Brooks in *Showing Off in America*:

There were tales, repeated in the newspapers, of dinners on horseback; of banquets for pets; of \$100 bills folded

the brand is internally managed ensures that the staff are energised ... they are much more able to support the promise made to customers

into guests' dinner napkins; of a hostess who attracted attention by seating a chimpanzee at her table; of centrepieces in which lightly clad maidens swam in glass tanks, or emerged from huge pies; of parties at which cigars were ceremoniously lighted with flaming banknotes of large denominations.¹¹

It seems that we are in a period of similar affluence today: wherever there are customers seeking luxurious surroundings influenced by a desire to 'buy up'—although often a little less ostentatiously than the example given—there will be small luxury hotels to meet their needs.

There can be no doubt that Red Carnation Hotels, under the leadership of Mrs Beatrice Tollman, have seen much investment, refurbishment and TLC. They have utilised the best of time-honoured tradition and have achieved a contemporary spin on their classic, sleek, understated four- and five-star hotels. Co-author Jonathan Raggett, who was brought in seven years ago to reposition the Rubens from a good three-star to a deluxe four-star property and who has in addition opened the five-star gold-ribbon '41', has been managing director for the last four years. He says this of Bea [Tollman]:

She is by any definition a mover and a shaker in the hotel industry; she continues to be involved in the day-to day-issues—knowing who is arriving, welcome cards, restaurant events and banqueting; She is actively concerned with guest comments, staff welfare and marketing and sales. She has a particular expertise in design and refurbishment, seeing

each hotel as an extension of her own home. Bea is an inspirational leader with passion, drive and bundles of enthusiasm—a lady who really knows her subject.

Consistent best-practice delivery

The November 2003 IiP Assessment Report for Red Carnation truly captures the essence of hospitality which imbues a group underpinned by excellent and continuous training and development for its entire staff. The best practices found include the following:

- The commitment to learning and development is undisputed right across the hotel group. There is consistent evidence of actions introduced corporately that are brought alive locally, demonstrating a genuine resolution tutelage and growth for all staff.
- Staff are encouraged using a variety of incentives often leading to internal promotion.
- People feel valued by the company. There is a true sense of a 'people culture' which is established and well embedded. Some examples of staff recognition initiatives include: tea parties, birthday cards and presents, Party in the Park and Catch a Star.
- The culture across the hotels is now more consistent and is one which embraces equality and diversity. There is equal opportunities training and the Top 12 standards have been translated into seven languages to enable a better understanding by all staff.
- Clear objectives are set by the company. These in turn have been developed into objectives for the individual hotels and then cascaded on down to department and individual objectives. There are good examples of staff involvement through a

Table 2 The 12 Red Carnation service standards

- Smile and use positive eye contact in every guest encounter
- Whenever possible, call guests by their name
- First impressions are lasting impressions
- Anticipate guests' needs
- Through pride and professionalism act as a Red Carnation ambassador
- You spot it, you own it, you fix it, you follow it
- Practise a 'Yes I Can' attitude at all times
- Discretion and respect are professionalism at its finest
- No request is too large, no detail too small
- Think before you speak and look before you leap
- There is no 'I' in team
- To suggest is to sell and to sell is to serve

range of meetings, training sessions and away-days. Staff have commented that communications in the organisation is continually improving. There is consistent use of a Communications Development Planner.

- ❑ Training, Learning and Development are well planned, meeting the needs of the company, the department and the individual.
- ❑ There is significant evidence of management and supervisory training with much improvement in the training of heads of departments.
- ❑ Induction training and follow-up has been considerably strengthened.
- ❑ Performance improvement has been achieved through courses in up-selling and motivation,
- ❑ Both the volume and variety of training have increased, with courses being well promoted; attendance need is often identified via the appraisal system.

Some of the comments collected during the iIP survey reflect well on the group:

*'I think of this hotel as my second home'
I've worked in hotels for 20 years—this is the best.
I pick up a very professional vibe from the hotel.
One of the reasons I came to Red Carnation was its reputation as a good employer.
We're a happy team and all know each other.
There is a unique environment and they do care for staff here.*

It is evident that Red Carnation follow the approach promoted by Leslie de Chernatony: he widened the argument, calling for the brand to be internally managed to ensure that the staff (the team) is energised and through discussion shares a consensus on all issues pertaining to Red Carnation and its values—meaning they are much more able to support the promise made to

customers and to ensure the delivery of that promise.¹²

This fully recognises the potential to be unlocked through staff teams who are brought on-side through the sharing of a super-ordinate goal.

Through organisational strategy, they are persuaded by its commercial logic, its distinctive competence, its positioning and thus its source of competitive advantage, which is seen as coherent and achievable.

Inspiring the team requires policies and behavioural standards which are explicit, are transparent, are upheld by training-and-management example and are based on shared morals-and value-based reasons.

Underpinning all training are the 12 service standards—one per month with many structured sessions to inculcate and generate a mantra for all. These service standards, contained in a booklet, are set out in Table 2 below.



Consensus top service standards

Let's briefly examine a couple of these standards. Red Carnation spend much training time in developing mnemonic techniques which help their staff to remember names. From Dale Carnegie to James Lavenson (of Think Strawberry fame) there are many champions for the use of guests'

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names. The latest research, by Magnini and Honeycutt, finds that

emerging research increasingly confirms that customer emotions play an integral role in driving customer satisfaction and loyalty ... despite the technological advances in CRM, that age-old quintessential of remembering and addressing

customers by name is crucial ... luxury hotel customers desire to feel 'sophisticated' ... a key determinant of emotional loyalty is a feeling of 'importance'. One way to bolster clients' feelings of comfort, welcome, sophistication, and importance is to address the guests by their names. ... accurate measuring of returns on training is a daunting task, name/face recognition training is relatively cheap and has much potential for customer returns, in every sense.¹³

In their treatise on the strategic commitment essential to support customer loyalty, Bowen and Shoemaker would support the standard of anticipating guests' needs. Consider the case at Harrah's Entertainment

where a system of near-real-time analysis of its customers allows predictive modelling, leading to the implementation of finely tuned marketing and service-driven strategies that keep their customers coming back.¹⁴

At Red Carnation staff are trained to identify customers' immediate needs: e.g. 'It's raining outside—would you like to borrow an umbrella?' However, as in the Harrah's example,

which has taught us that customer loyalty is both fragile and complex and that the rewards are there for those who take the trouble to understand customer loyalty,

at Red Carnation guest histories and interviews lead to that understanding and are used most effectively to identify and meet returning-customer needs.

Conclusion

We hope that we have put the case for small luxury hotels and, in particular, deconstructed some of those components which make up the Red Carnation award-winning experience. Many of the aspects of this experience are intangible; this refers broadly to such non-physical characteristics as atmosphere, ambience, context, interpersonal communications, attitude and

so on. Of course, intangibility may be built upon tangible elements: for example, the very Edwardian set of most of the Red Carnation hotels, the excellence of the rooms and service, those aspects of service provision that can be seen, heard, touched, tasted, smelt, felt or otherwise sensed.

Zeithami and Bitner use the term 'servicescape' to refer to the interface between the tangibles and intangibles in the provision of services:

many aspects of the physical environment serve as explicit and implicit signals that communicate about the place to its users ... Quality of materials used in construction, floor coverings, items displayed can all create symbolic meanings and create an overall aesthetic impression ... It is without doubt that the servicescape provided can have a profound effect on both customers and employees.¹⁵

We would propose that the servicescape developed throughout Red Carnation Hotels has a profoundly positive effect on all who are involved both as staff and customers and that for the latter Red Carnation has created a

lifestyle accessory which provides the stage on which they can enact their carefully designed identities (p 00).

In a recent analysis for Admap Danzinger found as follows:

Luxury brands are defined intrinsically and are, as here, consumer-centric. Based on the intrinsic definition, the service expresses features and benefits that confer 'best-of-the-best' status. The consumer-centric definition of luxury focuses on the experience, the personal dimension of luxury. When we talk of luxury from this experiential perspective what matters is how the brand delivers a luxury feeling/experience.¹⁶

The true measure of a luxury brand is the means by which it connects corporate strategy with consumer psychology. This is the new paradigm for a luxury brand in the 21st century and one which is well understood at Red Carnation Hotels.



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