

MANDARIN ORIENTAL HOTEL GROUP

REPORT SUMMARY

THE COMPANY

Established in Hong Kong in 1963. Mandarin Oriental Hotel Group is an international hotel investment and management group operating ten hotels in the Asia-Pacific Region. We manage each of these hotels and have significant ownership interests in all but Mandarin Oriental, San Francisco and the Phuket Yacht Club Hotel and Beach Resort, Thailand.

Our overall corporate quality goal is to achieve a level of excellence that sets our Group apart from all of our competitors in the eyes of our customers, investors and staff. In order to achieve this level of excellence we strive for total customer satisfaction in our service delivery, we strive consistently to be leaders in our industry in profitability and we strive to create a rewarding working environment for all of our staff.

Mandarin Oriental Hotel Group has, from its creation, received recognition for providing a level of products and services of the highest quality. While traditions of consistent quality service delivery are practised at each of the hotels, the challenge to the Group is to develop an ongoing corporate culture of quality service drawing upon the strengths of each individual hotel.

At the beginning of 1993, we introduced a new Group Mission Statement, that has been rolled out to every member of staff through personal presentations by the Managing Director at every hotel and corporate office. This Mission Statement has been published in English, Chinese, Thai and Indonesian.

MISSION STATEMENT

Our Company

Mandarin Oriental Hotel Group is a leader in the hotel industry, owning and operating some of the world's finest deluxe and first class hotels.

Our Mission

Our mission is to completely delight and satisfy our guests. We are committed to making a difference every day, continually getting better to keep us the best.

Our Guiding Principles

Delighting our guests

We will strive to understand our client and guest needs by listening to their requirements and responding in a competent, accurate and timely fashion. We will design and deliver our services and products to address their needs. In fact, we are committed to exceeding their expectations by surprising them with our ability to anticipate and fulfil their wishes.

Working together as colleagues

We will emphasise the sharing of responsibility, accountability and recognition through a climate of teamwork. By working together as colleagues and by treating each other with mutual respect and trust, we will all contribute to the Group's overall success more productively than if we worked alone.

Promoting a climate of enthusiasm

We are committed to everyone at Mandarin Oriental by providing a caring, motivating and rewarding environment. As an industry leader, we are committed to bringing out the best in our people through effective training and meaningful career and personal development, and by encouraging individuality and initiative.

Being the best

We will be an innovative leader in the hotel industry and will continually improve our products and services. We will seek from our suppliers the highest quality products and services at the best value.

Delivering shareholder value

We are committed to being a growing company. Our successes will result in investment returns which are consistently among the best in the hotel industry.

Playing by the rules

We will maintain integrity, fairness and honesty in both our internal and external relationships and will consistently live up to our commitments.

Acting with responsibility

We will actively participate in the improvement of the environment, just as we will be responsible members of our communities and industry organizations.

STRATEGIC QUALITY PLANNING AND LEADERSHIP

The executive directors develop the Group's strategic plans through a variety of different processes involving hotel general managers and our marketing and sales team. These processes involve analysis of results of surveys taken to measure our customer's satisfaction, the satisfaction of our competitors' customers and the industry standards as a means of identifying performance requirements and quality product initiatives. Our plans are then implemented at each hotel through re-evaluation of policy and procedure guidelines. We evaluate and improve our planning process by employing a number of well recognised and respected outside facilitators from both the academic and consulting fields.

Quality Goals and Plans

Our quality management programmes and the processes which we have developed in our efforts to provide total customer satisfaction have developed towards the goal of provision of service and focus on certain major concepts.

- (a) all ranks of management and employees need the right tools, the appropriate training, a willing frame of mind and support and inspiration from the organization;
- (b) substantial research is essential to know what our customers think of our current products and services and what new products and services customers need and expect; and
- (c) our quality service delivery systems and employee job satisfaction will be improved substantially through simplifying the communication process.

One of our strategies was to initiate LEGENDARY PEOPLE in 1989 as the umbrella concept for our renewed commitment to quality service standards. Our LEGENDARY PEOPLE programme is our effort to continue the many quality service traditions for which the Group has achieved recognition and to successfully improve our quality service delivery systems.

LEGENDARY PEOPLE was conceived as a result of a series of discussions among the Group executive directors in search of quantifying “quality” and then creating a programme to maintain it. Our goal was to lead the hotels in developing more process oriented systems which would help carry forward each hotel’s quality values and processes to future generations of management and staff. We also wanted to develop ways to transfer successful processes at one property into the systems and cultures in other Group hotels. Finally, we wanted an overt and ongoing programme focusing on quality service delivery in recognition of the improvement in the competition, the changing expectation of the customer and the evolving needs of our employees.

Our desire was not to introduce a programme that was designed by an outsider, packaged and served to the management and staff at each hotel in a patronising way. We decided, therefore, to go slowly, to be experimental and to make sure we accommodated the different work ethic and cultures at each hotel. Thus, a period of several months was dedicated by the entire organization to develop and reach agreement on the following principles of our LEGENDARY PEOPLE programme:

“Legendary People” - Mandarin Oriental Service Delivery Policy

The worldwide reputation of Mandarin Oriental hotels for the delivery of consistent, distinctive, personal service to customers must be maintained and even enhanced in the face of the coming competition in most of our markets. In doing so we must focus upon certain agreed policies and principles, and articulate specific methods for their implementation.

- (a) Final responsibility for all aspects of the total performance of each Mandarin Oriental hotel lies with the hotel’s general manager.
- (b) The satisfaction of customer needs, through delivery of the services of the hotel, and its staff, must be the top priority of responsibility for each hotel’s senior management.
- (c) The quality, as well as the style, of each hotel’s service delivery system is best communicated to all levels of staff through senior management “modelling” of service behaviour in a pro-active, highly visible and consistent manner.
- (d) A positive, motivating management environment is essential in creating the desire in front line staff to deliver equally positive, warm, and sincere service. A "Win/Win discipline philosophy is at the core of Mandarin Oriental’s supervision technique.
- (e) Daily senior management personal contact and communication with customers and rank and file staff are the essential keys to maintenance of quality standards in the consistent delivery of customer services.

- (f) Each senior manager's team must be organized such that the hotel's operations support departments provide the essential customer support services to maximise the time devoted to customer service delivery and staff supervision and motivation.
- (g) All systems, structures, and policies, both within each hotel, and throughout the Group, are designed to strengthen Mandarin Oriental's commitment to these policies and principles.

We are developing Quality Standards under our LEGENDARY PEOPLE programme as well as our Total Training Concept, an umbrella training programme to organize our training efforts to ensure that staff undertake to delight our guests, with or without supervision.

Customer Satisfaction Determination

Our market segments are identified through information collected at the time of purchase which is then tracked and compared on a month-to-date and year-to-year basis within each hotel, one Mandarin Oriental hotel to another Mandarin Oriental hotel and each hotel to its own specific competitors.

Market segment information is compared weekly. Information tracked includes geographic source of business, country of residence and breakdowns of the source of booking by industry. This information is then further analysed into more specific segments at the hotel level. Separate corporate accounts are classified into industries and the needs specific to key customer industries are determined by interviewing or surveying our customers in that industry.

Our key customer satisfaction measurement is a guest satisfaction survey taken by Asian Market Intelligence (AMI). This annual survey, printed in English, Chinese and Japanese, gathers information from a minimum of 500 customers from each hotel. This survey seeks the customer's importance rating and satisfaction rating of a broad range of products and services offered. In addition, it obtains certain psychographic and demographic information which we can use together with other research to determine market trends. Through this survey we also seek the customers' views on certain proposed products or services which we are considering introducing.

At the hotel level we track customer complaints through customer "Comment Cards". The Format of the cards is such that suggestions can be tracked as well as comments on existing facilities and services. These are reviewed and acted upon at hotel level daily compiled into monthly summaries and then tracked against previous months and the previous year.

Surveys and polls taken by the travel trade as well as various publications' reader opinion surveys soliciting feedback from their customers has been an informal way of keeping track of the general market opinion on our hotels. We know that the reasons behind the opinions are neither specified nor measured and we do not consider these extremely valid in measuring key customer satisfaction requirements. They are, however, an objective evaluation of customer satisfaction when we are directly compared to our competitors (which is sometimes the case) or ranked as a world-class organization.

INFORMATION AND ANALYSIS

Scope and Management of Quality Data and Information

The data and information we select to build our information base is that which measures

- customer's perceived value for money
- customer satisfaction
- level of service
- the hotels themselves
- market information

The criteria for selecting data to be included in the customer information base includes every aspect of the use of our hotel from the time of arrival at the airport to the moment of departure. We measure each contact with personnel for efficiency, product knowledge and courtesy. We measure all facilities and the range of services offered. We also ask our customers to provide information regarding their potential use of new and alternative products and services. We ask them to rank these items in order of preference to facilitate our prioritising for future decisions. We also track demographic and market information which we can compare from hotel to hotel to identify our target audiences as well as to assist in our interpretation of variances from the group norm.

CUSTOMER SATISFACTION

Customer satisfaction Results

Our current level for key measures of product and service quality is high. In addition our surveys are providing us with information that indicates which areas our high quality trends continue and alerts us to specific areas where additional work is necessary. Finally, our comments from our customers have both reflected a positive trend in certain process improvements and alerted us to areas needing improvement.

Customer Relationship Management

We have determined that the key factors in maintaining and building out relationships with customers is to provide a problem free experience at our hotels and restaurants and to give each customer personal recognition. Our strategies to build these relationships are the same as to build our business they are tied to each other.

We are currently developing a Group –wide Guest History network whereby the “history” of a customer of any one hotel can be accessed by any other hotel so that preferences are immediately responded in even if it is the customer’s first use of a new hotel. When this is in place a customer of Mandarin Oriental, Hong Kong who prefers a particular type of beverage will find it waiting for him upon arrival at The Oriental Bangkok.

We follow-up with our customers with a personalised written response to every comment card or letter received and recently have begun telephoning customers for follow-up. In every case we strive to let the customers know that we appreciate their comments, that their experiences are important to us, that we want to address the specific instance generating the comment, that we want them to be satisfied and finally, if appropriate, we explain the change that will be made in our processes to assure achievement of better customer satisfaction in the future.

We believe the head office role is more effectively focused by emphasising broader programmes like LEGENDARY PEOPLE, and by permitting the hotels to establish and implement the detailed service standards for each aspect of service. Group wide we have identified those areas for which specific standards are required and put them into a Service Manual. The Service Manual has been created by the hotel senior managers working together as a group as well as with people within their own hotel. They came up with the information which was then collated and combined at the corporate office. This combined effort will be presented to the general managers this June at the annual management meeting. Once it has been given their approval, it will go back to the hotels for implementation. Head office strives to play a support role in helping the local hotel management improve on their standards successfully.

The Service Manual will define what we have to teach. Service standards defining reliability, responsiveness, and effectiveness of customer-contact employees' interactions will then be set at each hotel at departmental level with an outside facilitator through the Total Training Concept. The goal is to create a service manual covering each task for every position in each department at all hotels. The format for these manuals is standardised, but the content is up to the actual service providers. We have identified our expectations through the Mission Statement. An outside facilitator has the results of the customer surveys to ensure their criteria is met. Two staff plus two supervisors from each department work together with the facilitators to create the guidelines and standards for every task performed. Written in the standard format for each task is the question. "What is the expectation of the customer?" By creating our standards from the ground up we aim to encourage service providers to really address the question "what is the expectation of the customer" and resolve how to meet that expectation.

Empowering the staff in this way necessitates a flexible non-controlling management style. In order to promote this style, management are given additional training and are encouraged to run their departments releasing control over staff. They are taught to support their staff as individuals, knowing that a happy person will be in a better position to secure a positive outcome in customer relationship management than would an unhappy member of staff.

LEGENDARY PEOPLE training is designed to give Mandarin Oriental staff confidence and communication techniques so that they can act as responsible individuals in any possible situation without having to seek guidance or approval for their actions. They are encouraged to "own" their relationship with the customer and to successfully "recover" a customer should a problem occur. Essentially, our goal for all problem resolution is to reach a solution whereby the customer has been satisfied that we have successfully addressed, and where possible, corrected the problem. As our Mission states, we strive for total customer satisfaction, by completely delighting and satisfying our guests.