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Developing a Service Culture

Spotlight: Andrew Dunn, From bacon to beluga



Andrew Dunn - Photo Courtesy of Scott Dunn Travel

A British luxury travel company has spent over 25 years wowing its customers. From its first ski season when the owner personally drove to France with huge supplies of bacon to perfect its English breakfasts, Scott Dunn has gone the extra mile for service and for quality. 'From day one we wanted to be the best,' says founder Andrew Dunn. The company was established in 1986 initially as a ski chalet business, operating out of two chalets in Verbier, Switzerland. Despite first year losses, 22-year-old Dunn ploughed on, opening up chalets in neighboring resorts and differentiating on comforts such as down duvets and morning tea in bed. Launching his London office in 1988, he provided his own staff and British nannies for his Swiss and French properties, establishing a benchmark for Alpine chalet holidays with his emphasis

on opulence and personal service. Up until then, most competitors had provided quaint but adequate accommodation, basic catering, and very low-budget wines.

When Giles Tonner joined the Scott Dunn team in the 1990s, worldwide tailor-made adventure holidays were added to the mix – this was soft adventure without compromising comfort. Seeing a bigger profit margin in high-end travel, Dunn also added long-haul luxury and Mediterranean villas with private chefs, hosts, nannies and exclusive children's clubs. He was following the advice of his grandmother who told him when he started his business: "Andrew, you never want to be selling the cheapest – people will always pay for the best."

A graduate in Psychology and Biology from Oxford Brookes University, Dunn has always been astute in consumer behavior. "I was acutely aware that a guest is not just a single purchase; they are a multiple purchase and there's potentially a lifetime journey with them." He looks to woo each customer early on and retain them through the different phases of their lives: marriage, parenthood and beyond. "It's a massive responsibility because if you screw up it's not just that booking you are going to lose; you've probably lost another six bookings over the next couple of years," he says. His education helped out with recruitment and training, too. "I've always had a knack for finding the right people to work for me. It's a question of whether I like an individual and a lot about chemistry. I need to know 'do they care' and 'do they want to give the guests the best experience possible' or do they just want to travel the globe," says Dunn. Unlike many travel companies, he retains a strong base of year-round staff in order to ensure consistency and high standards with a permanent management team in the U.K. and seasonal workers in resort – around a third of whom return year round.

"What makes us different is that nothing is too much trouble," explains Dunn. "That mantra is just as important today as it was 25 years ago. If you worry and you care and you want your guests to have a good time, then they will." The Scott Dunn website promises to craft something special for each customer. This type of one-on-one service has led to more than 70 per cent repeat business through loyalty and referral. The Scott Dunn service philosophy includes unexpected acts of kindness (UAKs) – a term Dunn coined – for guests, and there's a behind-scenes budget for this. The price tag of such extras is never questioned. "We obviously try to mitigate costs as much as we can but nothing that would affect a guest. If you're part of the DNA of the company, you understand the importance of the guest," Dunn asserts.

It has not been easy weathering two economic slumps during Scott Dunn's years in business. But, quick to react to external pressures, Dunn circumvented disaster early in his career when the 1992 recession compromised his company. He reached out to a dozen new investors by offering a one per cent share in the company as well as free holidays. Profits grew 20 per cent year-on-year between 1992 and 2008 and potential dangers from the 2008 recession were averted by cutting back on quantity rather than quality, reducing the amount of accommodation offered and securing more performance-linked contracts. By 2011 profits had soared again with sales of \$40 million, zero debt and seven-figure profits from the 10,000 yearly holidaymakers who averaged more than \$19,000 per booking. The business continued to grow, with Scott Dunn taking a majority stake in rival Imagine Travel in 2013. By 2014 revenues were up to about \$100 million a year, with annual profits of around \$9 million, attracting the interest of equity investors. That same year, Inflection Private Equity took a majority stake in the company, reportedly for over \$100 million.

One thing in Dunn's favor, particularly during economic downturns, is that the high-spending clientele is relatively recession-proof: "When we're negotiating our rates (with chalets, hotel rooms), we explain to the resorts that they will want our guests rather than someone booking on Expedia, for example, as they are going to spend more and be more value. They're buying a caliber of guest who is not afraid to spend." When asked how Scott Dunn has outlived many competitors over the past quarter century, Dunn explains: "We've been consistent; we've always undersold and over-delivered and provided you do that, you manage people's expectations and they wax lyrical as you exceed their expectations. It's then all about having the right people working with you." He also thinks too many travel companies focus on the bottom line rather than on keeping customers: "they are too busy counting beans."

Despite changes in top management over the years, Dunn has remained the ideas person, focusing on guest loyalty and brand enhancement. In 2011 Scott Dunn was voted Favorite Specialist Tour Operator in Condé Nast Traveller Readers' Travel Awards. Scores were particularly high in relation to reliability, staff and service. "We call it guest service rather than customer service," insists Dunn. He thinks his style of exemplary service is why Scott Dunn has survived while other 'young pretenders' have failed. The company won the same award in 2014 along with the first 'baby&me Style Awards' for Best Family Tour Operator, and was voted runner up in the 'Best Luxury Tour Operator' category, by the readers of Ultratravel. Dunn says awards give the company "collateral for the next 12 months or so" for marketing, advertising and online clout. But he also rates highly the value of good press. "PR is very important for us, more so than advertising," he says. A recent coup was a three page feature story in *The Sunday Times* Saturday Travel section. "It helps us create that warm, fuzzy feeling," explains Dunn.

In a recent blog, Dunn discusses how the world of skiing has changed beyond recognition. "It's extraordinary to think back to when we started Scott Dunn in 1986, when ski chalets were often appalling: untrained chalet staff cooked stodgy staples served with poor quality wine, there was burnt porridge for breakfast, the blankets were itchy, the walls thin, the bathrooms shared. Owners had a boarding school mentality and would see how many beds they could cram in. And the worst thing was that no one minded because they didn't know any better." Dunn was determined to transform the world of chalet holidays. "With each property we halved the number of bedrooms, installed seriously smart bathrooms and offered the best service. Now, almost every room has its own bathroom and nearly half of our chalets have private pools."

Dunn also points to the importance of the family in today's marketplace. "The kids' market has really grown up in the past ten years and we're known and trusted for our kids' clubs. Many of our guests have grown up skiing with us, so now that they come back with their own children, we're meeting them full circle. They know we look after them – we call our guests 'guests' for a reason – and they've become so much more discerning than those skiers who endured the old chalets in the 1980s. More than a quarter of a century on from when we started, we're delighted about that."

Sources: Communication with Andrew Dunn, 2011 and 2015; O'Connell (2011); <http://www.scottdunn.com>; <http://blog.scottdunn.com/the-dunn-thing>; <http://www.thesundaytimes.co.uk/sto/public/roadtorecovery/article661649.ece>

Why service excellence is so critical

Service quality has been increasingly identified as a key factor in differentiating service products and building a competitive advantage in tourism. The process by which customers evaluate a purchase, thereby determining satisfaction and likelihood of repurchase, is important to all marketers, but especially to services marketers because, unlike their manufacturing counterparts, they have fewer objective measures of quality by which to judge their production. Service quality can be defined as customers' perceptions of the service component of a product, and these perceptions are said to be based on five dimensions: reliability, assurance, empathy, responsiveness, and tangibles (Parasuraman et al., 1988).

Many researchers believe that an outgrowth of service quality is customer satisfaction, measured as the difference between the service that a customer expects and the perceived quality of what is actually delivered (Reichheld & Sasser, 1990). Satisfying customers has always been a key component of the tourism industry, but never before has it been so critical. In these uncertain times, and with increased competition, knowing how to win and keep customers is the single most important business skill that anyone can learn. Customer satisfaction and loyalty are the keys to long-term profitability, and keeping the customer happy is everybody's business. Becoming customer-centered and exceeding customer expectations are requirements for business success.

Well-publicized research shows that companies can increase profits from 25 to 85 per cent by retaining just five per cent more of their customers (Reichheld & Sasser, 1990), and research indicates that merely 'satisfying' customers is no longer enough to ensure loyalty (Heskett et al., 1997). This means that it is not enough just to please customers. Each customer should become so delighted with all elements of their association with an organization that buying from someone else is unthinkable.

Consumers worldwide are willing to spend more on service excellence. One study found that seven in 10 Americans are willing to spend an average of 13 per cent more with companies they believe provide excellent customer service (AMEX, 2011). The same study found a similar willingness in other countries (Australia and Canada, 12%; Mexico, 11%; U.K., 10%; France, 9%; Italy, 9%; Germany, 8%; and Netherlands, 7%). In India, consumers would spend 22 per cent more for excellent customer service. Another recent study found that the value of great customer service in the U.S. economy is a staggering \$267.8 billion per year (STELLA Service, 2010). This figure was calculated based on the average spend per person per year with each type of company. Value is the extra percentage that people are willing to spend if they know they will receive great service. If the consumers surveyed received great customer service, 70 per cent would use the same company again, and 50 per cent would make recommendations to family and friends. In the hospitality sector, the study found that consumers are willing to spend 11 per cent more for great service, higher than most other sectors.