



The new customer-centred business model for the hospitality industry

Customer-centred business model

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Abstract

Purpose – The objective of this research is to identify and present factors that are essential to support a customer-centred business model that is theoretically sound and can be used for practical application in the hospitality industry.

Design/methodology/approach – Extensive literature that links both nascent theory and practice forms the framework of this study. This study examines recent transformational changes in the industry and the global market and provides direction for practising managers and theoreticians.

Findings – This research presents a three-phase strategic orientation plan that provides both theoretical and practical direction for the hospitality industry, so as to effectively reorient the hospitality firm into a customer-centred business.

Practical implications – The ongoing challenges in the ever-increasing competitive global market can be met by hospitality firms by adopting strategic directions proposed by the customer-centred business model. This research provides a three-step plan that can be used in any hospitality firm to reorient the organisation into a customer-centred business. This research has identified factors that are essential to support hospitality firms to operate effectively within the new business model.

Originality/value – The three-phase strategic orientation of the proposed business model is conceptually sound and contributes new knowledge to the present body of literature. It can also be used effectively in a practical setting. Hence this study provides a theoretical and practical contribution in terms of originality and value.

Keywords Hospitality services, Customer orientation, International marketing

Paper type Conceptual paper

1. Introduction

The increasingly competitive global marketplace has compelled organisations to transform themselves in the way they conceptualise and conduct business. As one of the largest industries in the service sector, hospitality firms must gain a broader understanding of the essentials that are required if they are to thrive and survive in a rapidly evolving and increasingly competitive global market. Modern hospitality firms must operate within a new business paradigm that has only limited resemblance to the superseded business models. Economic progress, new technology and globalisation have forced firms to seek new market opportunities and to provide new solutions for customers (Doz and Hamel, 1998). The changes in the marketplace have produced a profound reappraisal of historically established paradigms within the hospitality industry. Hospitality firms have been forced to think and act as global enterprises as they face the economic, technological, and market challenges of the modern era.

The profound changes that have occurred in the marketplace and within hospitality firms have meant that the prevailing paradigm of hospitality management is unable to provide a conceptual framework for this new environment. Those factors that



guaranteed business success in the past are no longer relevant today as managers have realised that traditional approaches to management and marketing are inadequate in an increasingly competitive market. It is therefore imperative that managers re-examine conventional wisdom and seek a new paradigm for the transformed hospitality industry.

One of the distinguishing features of the twenty-first century is that the products and services offered by hospitality firms have become an integral part of modern lifestyles – especially in developed nations. Fulfilling their customers' various needs within a social setting of personal interaction has thus become a prominent feature of most hospitality firms. It is therefore imperative that hospitality firms are attuned to changing customer needs, expectations, and values – especially with respect to personal lifestyle and social interaction.

In addition to these changes in lifestyle and social interaction, hotel management must be aware that customer needs today are predominantly service-oriented, as opposed to product-oriented. If they are to fulfil customers' needs, hospitality firms must increasingly emphasise service (as opposed to goods) in compiling their total offer.

Following this introduction, in which the present state of the hospitality industry has been explored, the paper then seeks to establish the essential factors for success in today's competitive environment. The paper then proposes a new conceptual business model for success in the modern competitive hospitality environment. The study concludes with a summary of its findings and recommendations.

2. Factors required for success

2.1 *Increasing service contribution to the offer*

The changes in social habits produced by economic growth, higher disposable incomes and technological advances have meant that hospitality services are now an important component of customers' social needs. In these circumstances, the traditional core hospitality offerings of accommodation, food, and beverages will not be sufficient to fulfil customer needs as customers come to expect more from hospitality firms. Various supporting services must therefore be offered by hospitality firms today as they seek to fulfil both the primary and secondary needs of customers (see Figure 1). These needs are mainly service-oriented, and a hospitality firm's competitive advantage will thus be

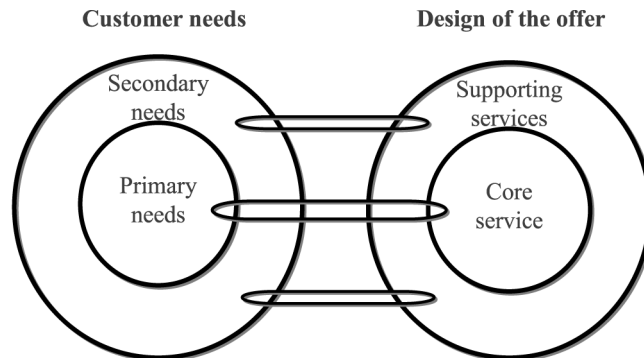


Figure 1.
Matching customer needs
with firm's offer

primarily dependent on the service components of its offerings, rather than the product components.

Moreover, because distinctive product differentiation is more difficult to achieve than used to be the case, hospitality firms are increasingly forced to compete on the basis of services, rather than products (Grönroos, 2000).

The service component is often the deciding factor in determining customer loyalty to a hospitality firm. Firms have traditionally associated customers with sales and revenue, but in a globally competitive market the concept of the loyal customer has assumed a strategic significance that goes beyond mere sales. The concept of “customer” has thus become an icon that focuses and orients the direction of the entire firm. The focus of such firms is shifting away from the tangible component of their offers to the intangible component of their offers (Vargo and Lusch, 2004a, b), and a customer-centred and service-oriented focus has thus emerged as the prerequisite for gaining market dominance in the hospitality industry. A service-oriented focus is a customer-centric focus (Sheth *et al.*, 2000).

Services are therefore no longer merely add-on features; rather, they represent an essential component of any hospitality business. In the modern hypercompetitive marketplace, the approval and loyalty of customers have become the determining factors in a firm’s success or failure (Scott, 2001), and services have repeatedly been demonstrated to be critical to customer satisfaction and loyalty (Grönroos, 2000). From a management perspective, services have thus assumed a significant strategic function (Kandampully, 2002; Raval and Grönroos, 1996; McDougall and Levesque, 2000).

The competitive advantage of services has become increasingly evident as it has become apparent that there is little to differentiate competing products from the customer’s perspective. Competing service firms might look alike, but they do not all feel alike (Berry *et al.*, 1988). The quality of service can be the centrepiece that demonstrates a firm’s commitment to its customers – thus elevating the firm’s image in the mind of its customers. Customers’ perceptions of the firm’s service quality, and its perceived value, offer firms the most sustainable basis of differentiation and their most powerful competitive weapon. Delivering superior service is thus a prerequisite for success. It is apparent that managing service quality and satisfying customers in the service industry has never been more important and subsequently service quality is the most researched area in services.

Numerous research studies have found a positive and significant relationship between customers’ perceptions of service quality and their subsequent willingness to remain loyal and/or recommend a firm to others (Zeithaml *et al.*, 1996; Kangis and Zhang, 2000). Service quality is thus an antecedent to satisfaction (Dick and Basu, 1994; Sivadas and Baker-Prewitt, 2000). The customers of today are unwilling to compromise on the quality of service they receive, and quality of service has become the key to customers’ approval of a hospitality organisation. By offering distinctive perceived value, a firm can gain a competitive advantage that often proves difficult for the competition to emulate – thus enhancing customer loyalty (Parasuraman and Grewal, 2000).

It is therefore apparent that hospitality firms must recognise that the effective management of service quality is a core management function that essentially determines a firm’s success or failure in the marketplace.

2.2 Customer-centred and service-oriented focus

In accordance with the above discussion, research studies have repeatedly confirmed the strategic advantage of adopting customer-focused services if firms wish to improve market share and profits (Buzzell and Gale, 1987; Zeithaml, 2000). In both research and practice, there has been a gradual but definite shift of focus from the supplier to the customer (Gummesson, 1996). The erstwhile focus on the firm itself (rather than the customer) tended to restrict management's concern to questions of production and internal administration, whereas a focus on the customer compels management to recognise that the firm's primary responsibility is to *serve the customer* (Gummesson, 1996). This focus on the customer has stimulated numerous studies of customer-related issues within a business context. These include studies on:

- customer satisfaction (Churchill and Surprenant, 1982);
- customer care (Lewis, 1996);
- customer expectation (Zeithaml *et al.*, 1991);
- customer perception (Parasuraman *et al.*, 1990);
- customer loyalty (Fredericks and Salter, 1995);
- customer value (Slater and Narver, 1994); and
- customer relationships (Jackson, 1985).

This interest in the customer was well summed up by the management thinker Drucker (1973, p. 79), who observed that “to satisfy the customer is the mission and purpose of every business”.

Such a customer focus implies a re-orientation to a *service* focus (Homburg *et al.*, 2002). However, firms have realised that serving the needs of customers is not as simple as it sounds. It requires a whole new approach to the *internal activities* of a firm as the firm reappraises how it undertakes its business. While the consumption of tangible goods may be delayed for future consumption and/or inspection of quality, services are generally produced and consumed almost simultaneously. The differences between services and goods mean that the production, delivery, and quality-control systems that are utilised in manufacturing industry are inappropriate for the hospitality industry. Hospitality managers are thus required to consider alternative strategies to facilitate the efficient management of both demand and capacity (supply) of services as, unlike the goods manufacturing industry, service organisations are unable to increase the supply in accordance with the increase in demand.

Moreover, the limitation of the firm to alter capability (both in terms of physical facility and labour) means that capacity is often fixed in most service firms. In combination with the perishability of services, the only viable option for most service managers is to seek strategies that allow them to influence demand – for example, price-related strategies that induce customers to alter their demand (Sasser, 1976). Although this is a useful strategy for some firms in some circumstances, this is not necessarily the best option for firms that aim to be customer-centred. Such firms aim to *enhance* customer perceptions of value, not *diminish* it.

Customer-centred service firms therefore have to consider the effects of high demand on the quality and value of the service they are able to provide (Heskett *et al.*, 1990). Hospitality firms that seek high demand without sufficient capacity can suffer serious consequences from the diminished service quality that results. Heskett (1986)

reported a study in a restaurant in which customers' perceptions of service quality increased until the firm was utilising 75 per cent of its capacity, but that perceptions of quality fell sharply when the utilisation of capacity exceeded 75 per cent. Hospitality managers who are pursuing a customer-centred strategy must therefore effectively manage demand, capacity, and the quality of services simultaneously.

In seeking ways to alter capability according to customer needs while simultaneously not compromising on service quality, an effective strategy is to alter the service offer by gaining expertise and competency from network partners. Such external partnering firms can complement the hospitality firm's own internal capability. Hamel (2002) has referred to these partnerships as a "value network" through which the firm's own resources are complemented and amplified. These partnerships provide flexibility in responding to changing demand, and also enable firms to expand their existing offers beyond their core competencies. In addition, the firm's own core offering becomes more flexible and "amorphous".

Through such networks, a hospitality firm is able to mix and match a range of products and services from within its own resources and those of its partners – thus creating flexible service bundles that are able to meet the specific needs of customers (see Figure 2). Indeed, clusters of partner firms can offer a wide variety of service bundles. These form the life-blood of many successful hospitality firms by enhancing the value and image of the firm's service offer. Such service clusters effectively amplify the firm's own resources and project an extended image that might be termed a "service mirage" in the customer's perception of the firm's capability.

In seeking to meet increasingly complex customer needs through partnership networks, hospitality firms are now traversing the conventional boundaries of the hospitality industry as they seek out experts with a range of skills. This involves "a deep commitment to work across organizational boundaries" (Prahalad and Hamel, 1990, p. 82) – not so much as a cost-saving exercise, but as a means of acquiring specialist know-how to extend their core competency (Kandampully, 2002). To reflect this approach, the term "out-sourcing" has been replaced with the term "out-partnering" (Peters, 1994).

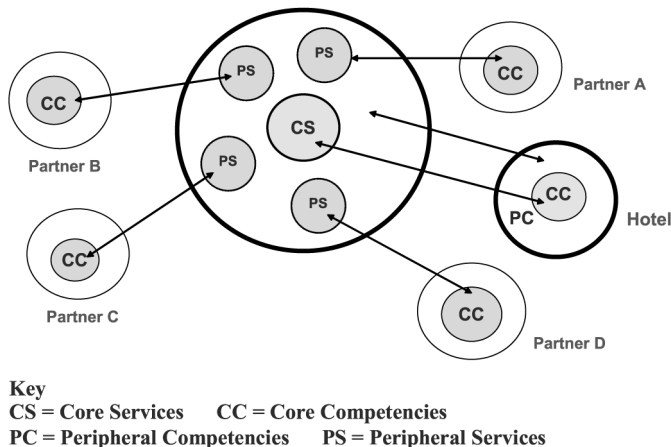


Figure 2.
 Fulfilling the service offer through networks of specialists

Modern hospitality firms must therefore undertake a rigorous assessment of the various activities that they undertake – with a view to identifying “expert activities” and “non-expert activities”. The identification of activities in which it is “expert” allows a firm to concentrate its own efforts on its particular areas of expertise, whereas identification of areas in which it is “non-expert” facilitates the seeking out of appropriate outside partnering experts to assist in areas that are outside the firm’s own core competencies.

2.3 Efficiencies through service unbundling

Firms today do not offer one product or a service; rather, they offer a collection of products and services. Indeed, in a service organisation, the firm itself represents a collection of services (Peters, 1994). This service package augments the value of both the tangible products and the service offerings that make up the firm’s total offer. In communicating this value to the customer, modern service firms create attractive service packages by forming partnerships with external firms that allow them to complement their own offer (Peppers and Rogers, 1997).

Service firms have realised that there are numerous benefits to be obtained by “unbundling” inefficient business activities (Chase, 1978), and then “re-bundling” the service offer using components provided by specialists within the network (Kandampully, 2003). In effect, market leaders in all fields today “un-bundle” inefficient services from their own activities and “out-partner” them to experts in their network partnerships. The service packages that are thus produced augment the value of a firm’s offer and assist the firm to adapt to the changing needs of customers without having to restructure the firm itself. Innovative hospitality firms thus gain market leadership by becoming expert in their core offer and complementing this expertise by selecting specialist partners who provide the peripherals. In doing so, hospitality firms are able to showcase a unique service package that can be presented as the best in the market (see Figure 2). Such a “best-in-the-market” service package is a powerful value proposition to place before the customer – thus enhancing the image of the firm in the market.

In forming network partnerships, systems and information transfer among partners must be transparent, and a collaborative style of management must be adopted. Firms within the network have to streamline their processes and systems to facilitate communication and the sharing of operational information (Hammer, 2001). It is difficult to maintain consistency throughout the chain of supply, and delegating certain of the firm’s product and service offerings always entails some loss of control over delivery and quality. The challenge is to ensure that all partnering firms maintain comparable quality systems, procedures, and controls, thereby ensuring consistency of service delivery from the customer’s perspective.

Finally, the global nature of hospitality businesses today demands that firms interact with their customers and business partners using information technology across international borders. The rapid changes in modern information technology will continue to have a significant influence on the way in which hospitality organisations transform their business concepts as communication across international borders with customers and partners becomes increasingly important in the globalised hospitality market.

2.4 Creative use of technology

Within manufacturing industries, technology has traditionally been viewed as the key to productivity. In recent years this realisation has spread to services, and the adoption of technology in services has triggered the emergence of many new services that benefit both the internal and the external customers of the organisation (Siguaw and Enz, 1999). In service organisations, technology has assumed a powerful role today – it provides firms with a new functional arm that has the potential to add value to the offer.

Technology can enable hospitality firms to improve their internal efficiency and effectiveness, as well as to enhance their services (Namasivayam *et al.*, 2000). By enhancing the effectiveness of employees and the system, customer satisfaction is ultimately increased (Bensaou and Earl, 1998). In addition, employer motivation and empowerment is nurtured if information technology and other technological advances are used to facilitate various internal activities within hospitality firms. At La Mansion del Rio Hotel in San Antonio, Texas (USA), employees are trained to gather information about customer preferences for their database. This information is further analysed and utilised in customer-centred initiatives throughout the hotel (Peppers and Rogers, 2000). Technology thus helps the entire organisation to focus on the customer and, in doing so, encourages every empowered employee to become innovative. Such technology-supported empowerment clearly indicates a firm's trust in its employees which, in turn, nurtures the pride and ownership that motivates employees to go beyond their job tasks in creatively modifying services to meet customers' individual needs. Empowered employees produce creative services that ultimately make a firm's offer distinctive.

The advent of modern information technology has led to many changes in business practices – not least in the fields of marketing, communication, and distribution (Moncrief and Cravens, 1999). The growth in the number of online customers has actually increased the number of service providers – both business-to-business (B2B) and business-to-consumer (B2C) services (Wymbs, 2000). In these circumstances, hospitality firms that fail to adopt internet technologies are likely to lose vital business opportunities and jeopardise their competitive advantage.

It should be remembered, however, that the impact of technology in the hospitality industry does not emanate from technology alone; rather, it depends on the creative adaptation of technology. Such *creative utilisation* of technology can be used to:

- enhance customer service (Kasavana and Knutson, 2000);
- augment the effectiveness of various activities (Nykiel, 2001);
- improve the skills of the people who make up the service organisation (Blumberg, 1994); and
- determine how services and amenities are ultimately delivered (Olsen and Connolly, 2000).

Value is not determined by technology *per se*; rather, it requires the effective utilisation of technology through innovative value-adding strategies. As Berry (1995) has argued, technology should be the servant, rather than the master; it does not replace employees, but augments an employee's capacity to offer superior service. The creative use of technology in various service firms thus has the potential to enhance the firms' capability, to reduce cost outputs, and to maximise personalisation and customisation (Quinn, 1996).

In summary, the effective use of technology can support and coordinate the activities of operations, marketing, and human resources in making the firm more customer-centred. Managers need to recognise that an information technology component can be added to virtually every manual job. Expertise in the creative and effective use of technology thus represents a new addition to the list of skills traditionally required by hoteliers if they are to coordinate marketing, operations, and human resources in focusing their organisations to serve the customer better.

2.5 External orientation and internal coordination

Market orientation is widely considered to be a key to superior business performance (Baker and Sinkula, 1999; Slater and Narver, 1994, 1995). Slater (1997) argues that providing superior customer value is critical to superior market performance and profitability. Market-oriented and subsequent customer-centred strategies enable companies to develop and maintain the capabilities to continuously create superior customer value, and to set themselves apart from the competition (Day, 1994; Slater and Narver, 1994). Therefore, companies with superior capabilities are more likely to outperform the competition (Day, 1994). In other words, superior capabilities enable superior market performance.

Many authors (e.g. Prahalad, 1993; Prahalad and Hamel, 1990) attribute a firm's competitive advantage to its core capabilities. By developing capabilities that are valuable and difficult to match, business firms can create a sustainable competitive advantage and superior profitability (Day, 1994). Market sensing and customer linking capabilities are considered to be some of the most distinctive and valuable features of market-oriented organisations (Day, 1994); externally oriented (market driven) companies continuously collect information about customers and competitors. Market information allows a firm to orchestrate its internal activities, thus rendering the firm service-oriented and competitive on the basis of superior customer value (Slater and Narver, 1995). Research by Morgan *et al.* (1998) shows that companies with strong market orientation also tend to possess a greater learning capability, which translates into a truly service-oriented firm.

The internal functional areas (marketing, operation and human resources) play a significantly different role in service industries compared with manufacturing industries. This different role is a result of the distinctive features of services – intangibility, inseparability of production and consumption, and perishability. In the goods-manufacturing industry, marketing is both physically and conceptually distant from the production process. For example, a product might be manufactured in one country and utilised by customers in another. Customers have no knowledge of manufacture, and no control over it. The effective aim of marketing in manufacturing has therefore been to make a connection between production and consumption.

In contrast, production and consumption of services in most hospitality organisations is simultaneous (for example, in delivering food-and-beverage services). There is thus direct contact between customer and service employees. Indeed, such interaction is not only unavoidable but is also the most important value-generating ingredient (Berry *et al.*, 1988) that hospitality firms can offer. The personal interaction between front-line employees who deliver the service and the customers who experience the so-called “moments of truth” (Carlzon, 1989) is one of the most important factors in determining customer satisfaction and perceptions of service

quality. Because the production and consumption of services is almost simultaneous, such personal service interactions represent crucial exercises in services marketing and the engendering of trust between the customer and the firm. In modern hospitality firms, it follows that operations, marketing, and human resources should be carefully managed as interrelated internal functions, and every employee should have both operational and marketing functions. For example, a waiter who delivers food services is simultaneously acting as a crucial personal “part-time marketer” (Gummesson, 2002) for the hospitality firm.

As well as operating as marketers, employees of a hospitality firm also serve as relationship managers in developing and maintaining relationships with their customers (McKenna, 1991). As customer relationship grows in importance, an increasing number of hospitality functions involve immediate contact with customers (Grönroos, 2000), and all employees in a hotel assume a front-line role. In fact, the customer relationship constitutes the most important contribution that can be made by any hotel employee. From the above discussion it is apparent that relationships both inside and outside the hospitality firm are imperative for the effective functioning of the firm. Nurturing and maintaining communication between various stakeholders and the internal activities (operations, marketing, and human resources) is essential for all hospitality firms. However, although it is true that firms have utilised technology to enhance the efficiency of operations, marketing, and human resources as individual components of the firm, there have been very limited efforts in hospitality firms to utilise technology to unify these components. Technology has the potential to bring together people and systems (operations, marketing, and human resources) to focus on the common goal – the customer. A firm with a true customer orientation clearly has a mutual dependency among marketing, operations and human resources (Lovelock *et al.*, 2001).

Services and technology are thus the two crucial strategic factors in the modern transformation of hospitality businesses. Technological advances will continue to nurture new services in the hospitality industry; simultaneously, technology can make services more user-friendly to both internal and external customers. Well-organised internal coordination provides the firm with the ability to demonstrate its efficiency through superior service performance. A customer-centred and service-focused orientation ultimately provides the modern hospitality firm with the best package that the market can offer – thus gaining both customer loyalty and market leadership.

3. A customer-centred business model

As the above discussion demonstrates, hospitality firms must seek new ways of conducting their business (new business models) if they are to compete in terms of value, efficiency, and uniqueness. Changes in business practices, new knowledge, and new technology, taken together, are assisting firms to find efficient solutions to old problems (Chapman *et al.*, 2002). New business models provide alternative approaches for firms to consider – not only in terms of *what* is done, but also in terms of *how* it is done. Defining new business models can be difficult. However, in the present context, they can be conceived of as business practices that utilise information technology to enhance the firm’s efficiency and to augment the value received by customers. The framework of the proposed model is discussed in three phases.

3.1 Phase 1: corporate intent

The new customer-centred business model will assist hospitality firms to reinvent the business – beginning with a commitment to a customer focus. Corporate intent, the first phase in the new model, relates to the firm’s long-term aim and represents the firm’s core belief in focusing its energies (and hence orchestrating its internal activities) in a total commitment to placing customers at “centre stage”. When customers are “centre stage”, the firm’s offer (which comprises both products and services) will satisfy the customer far better than any one else in the market.

3.2 Phase 2: strategic direction

To orchestrate the internal mechanisms of the firm in accordance with an orientation towards customer-centred service, a company-wide strategic direction is required. This strategic direction should ensure that the firms’ offer demonstrates value, efficiency, and distinctiveness to the customer (see Figure 3). If the value proposition of the firm’s offer outweighs others offered in the market, it will set the firm distinctly apart from look-alike competition. The firm’s efficiency in service, and in its ability to solve service problems, will convince the customer of the firms’ unmatched service competency and superiority. In the hospitality business, efficiency represents productivity. How the firm thinks and acts on behalf of the customer (in advance of that customer’s request) represents the distinctive benefit to the customer.

Firms that undertake service orientation should be both externally driven and internally coordinated. By being externally driven, the firm maintains a close watch on the customer and the firm’s competition – thus ensuring that the firm is constantly market driven. In addition, the firm must simultaneously ensure that all internal activities (marketing, human resources, and operations) are coordinated. In this regard, technology has become a major driving force in creating and coordinating new customer-centred services through the enhancement of the efficiency of every employee.

3.3 Phase 3: core capabilities (operational configuration)

The success of the firm’s service-oriented strategies is dependent primarily on the firm’s core capabilities. Technology, networks, relationships, and empowered employees are the four essential core capabilities (see Figure 4) on which the firm depends if it is to take up a service-oriented strategic direction.

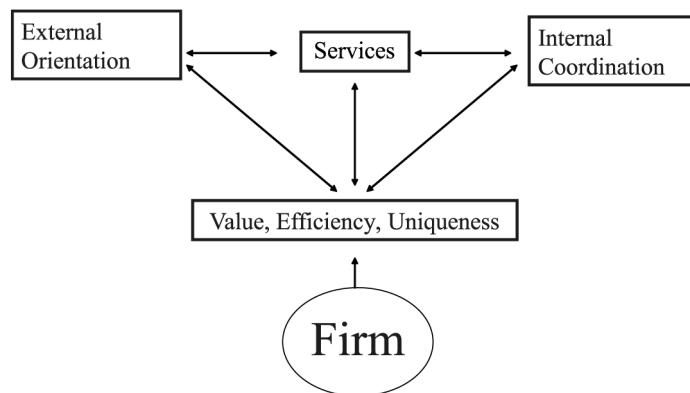
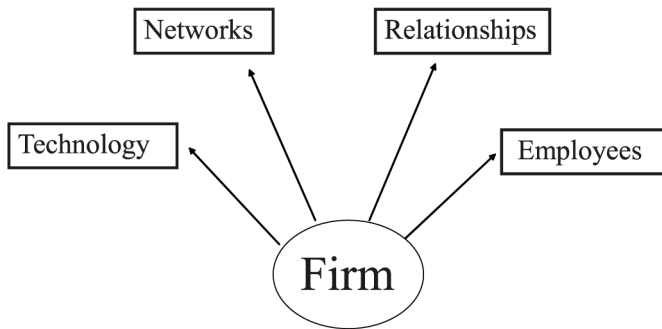


Figure 3.
Strategic direction



Key
Employees = Empowered employees

Figure 4.
Core capabilities

These core capabilities are not stand-alone entities; rather, they are inter-dependent, with each enhancing the effectiveness of another. The degree to which each is involved in any given offer is decided by the specific requirements of the customer, and this provides the firm with the flexibility to alter the offer for the benefit of individual customers.

In a customer-centred firm, all three phases represent components of the new business model (see Figure 5). The factors illustrated in Figure 5 enable a firm to become customer-centred and service-oriented, and thus to gain market leadership and profitability.

4. Conclusion

In less turbulent times, firms were able to rely on the “flywheel of momentum” to sustain their progress. However, in today’s competitive times, a hospitality company is able to stand apart from its look-alike competitors only if it can “out-innovate” the rest. However, innovation *per se* does not benefit the firm unless it manifests superior value in the customer-driven marketplace by focusing its entire energies on thinking in terms of the customer. However, most old business models still treat customers as the last

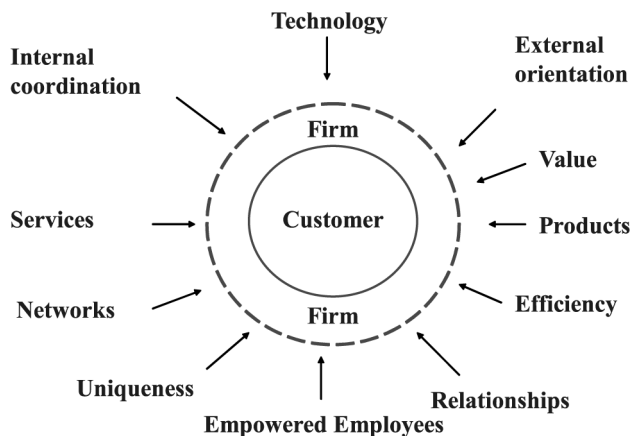


Figure 5.
Essential factors in the new business model in hospitality

link in the supply chain, and thus fail to recognise the vital role played by the customer in determining the strategic direction of the organisation. This is truly a strategic turning point for hospitality managers to step into the new paradigm of customer-centred direction if they aim to gain market leadership. According to Hamel and Valikangas (2003), in a turbulent market, the dependable advantage for any firm is its capacity to reinvent its business model before circumstances force it to do so.

Ongoing changes in the marketplace will continue to pose new challenges to the hospitality managers. Hence it is imperative that hospitality managers have to adopt radical changes in the way they conducted business thus traditional business model on which they have relied in the past, will no longer prove relevant. The transformation that is taking place in the hospitality industry has not been generated in accordance with the internal models of the past; rather, the transformation has been triggered by external changes in customers' lifestyles. Thinking in isolation in today's global market, using the internalised models of the past, is therefore likely to prove to be a dangerous recipe for hospitality managers with disastrous outcomes. The market leaders in today's hospitality environment will be those innovative firms that work collectively with various other firms in the market to enhance the value, efficiency, and distinctiveness of their service offers. The new business model proposed in this study provides hospitality managers with an opportunity to take up radical strategies proactively – to the firm's ultimate advantage. The model provides a management framework that allows hospitality firms to transform themselves continuously and to adjust to new challenges that confront hospitality managers from time to time.

This new business model, proposed in this study, has direct practical application in the hospitality industry and it also provides a framework of literature for researchers and an action plan for practitioners to adopt, discuss and evaluate the possibilities and advantages of new ways of conducting hospitality business by focusing on the customer. In particular, the make-up of the identified essential factors and their contributions and interrelationships are worthy of further consideration and debate. Conceptual and empirical studies in the future will be of assistance in extending the contribution of this research. Although the present study specifically addresses the hospitality industry, the model is also applicable to various other service sectors, and hence it has generalisable qualities throughout the services sector.

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