

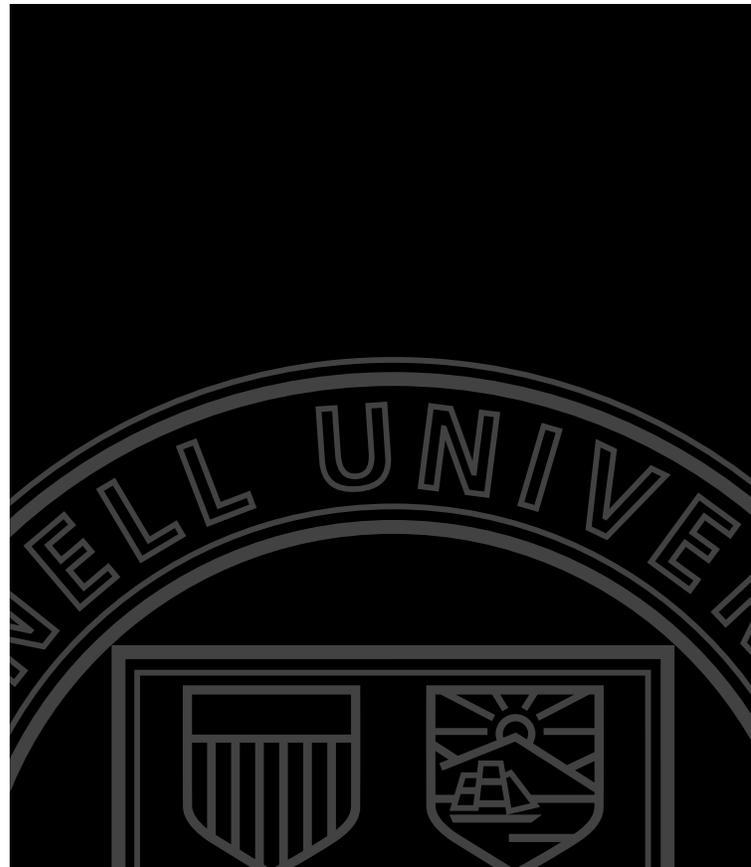
Using Research to Determine the ROI of Product Enhancements: A Best Western Case Study

by Rick Garlick, Ph.D.,
and Joyce Schlentner

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EXECUTIVE SUMMARY

W

hile enforcement of brand standards is a challenge for hotel companies that do not own and operate their properties, Best Western International (BWI) has a particularly distinctive situation in that it is a not-for-profit membership organization. As such, brand standards or potential upgrades must be approved by vote of the membership. The diverse nature of its member properties presented an opportunity and a challenge when BWI's leadership sought to establish a consistent brand. To achieve this goal, BWI commissioned an extensive research initiative on consumer expectations. The study featured a five-phase approach that included consumer conjoint analysis to determine the theoretical financial return on investments and break-even analyses for selected amenities and features. The analyses both allowed the brand's leaders to select upgrades with the greatest potential return and also helped create the business case for making the upgrades to Best Western's membership. The study, which began in North America, resulted in member approvals of bedding upgrades and breakfast standards, as well as several other branding initiatives. Best Western subsequently extended the research internationally. Finally, this research served as the basis for the development, approval, and launch of the BEST WESTERN PLUS and BEST WESTERN PREMIER descriptors, as well as a relaunch of the venerable BEST WESTERN® brand.

ABOUT THE AUTHORS

Rick Garlick, Ph.D., has a diverse background that includes extensive experience with brand strategy research, employee engagement measurement and training, talent selection, customer satisfaction and loyalty programs, image and awareness research, and radio and television research, as well as national polling studies (rickmgarlick@aol.com). He has worked with most of North America's best known hospitality organizations to translate research findings into business strategy. Rick currently serves as chair of the Research Committee for the Hospitality Sales and Marketing Association (HSMAI) Foundation Board and has served in a similar function in the past for Meeting Professionals International (MPI.) He is also the founder and principal consultant for Populus Primo Consulting (Latin for 'People First.')

During his 20-year career as a researcher and consultant, Rick worked for two of the best known companies in the industry, Maritz Research and The Gallup Organization. He is a frequent conference speaker and has published numerous articles in industry and academic journals. He has also appeared on national media outlets such as MSNBC, CNBC, CNNfn, Bloomberg Television, and National Public Radio, as well as being quoted in many national publications. He received his Ph.D. from Michigan State in 1987 and previously taught at DePaul University in Chicago.



Joyce Schlentner, MBA, is a long-time Best Western employee, and has held a variety of positions throughout her Best Western tenure. Joyce is currently serving as director of strategic services. She is involved with market research, business planning, and performance measurement. Joyce has an MBA from the Thunderbird School of Global Management, and a BA from the University of Pittsburgh.



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The never-ending challenges of hotel brand management have only become more involved as the hotel industry has consolidated, competition among hotel brands has become stiffer, and consumers' expectations continue to rise. Needless to say, any brand that fails to continually evolve risks being left behind, because an experience or hotel feature that exceeds guest expectations today may be commonplace tomorrow and sub-par not long afterward.¹ Competition among hotel brands is often seen as a race, but more often, it resembles a treadmill. One brand's product enhancements may give it a momentary advantage, but competitors can quickly expand their own product and service offerings. Thus, a brand needs to improve just to stay in the game. One aspect of the upgraded services is the need for continual property upgrades that may require substantial investment. Brand managers typically need to justify these expenditures for property owners since having uniform compliance is necessary to maintain brand consistency. As we explain in this article, the process of determining and justifying brand standards has greater complexity for brands that comprise membership or referral associations. Whereas most hotel brands are working with institutional owners, Best Western International is working with its membership, who are owner-operators. In fact, however, the knowledge-driven process we describe here can be applied by any brand system to select and create a business case for any possible upgrades.

¹ D.R. Brandt and J. Scharioth, "Attribute Life-cycle Analysis. Alternatives to the Kano Method," *Proceedings of the 51th ESOMAR-Congress Berlin*, 1998, pp. 413-429.

Best Western International, Inc. is a well known brand, but unlike most brands it is a not-for-profit membership association and is not a chain in the traditional sense. As one of the world's largest hotel brands, Best Western offers over 4,000 hotels in more than 100 countries and territories. The chain, with its corporate headquarters in Phoenix, numbers more than 2,200 hotels in North America alone. Unlike other chains, Best Western supports only independently owned and operated properties, and any brand- or system-wide changes must be approved by the affiliated hoteliers, with each acting and voting as a member of the association.

Begun in California as a referral association in the 1940s, the modern Best Western hotel chain was founded by M.K. Guertin in 1946.² As an association of independent hotel operators, Best Western International attracted members in various market segments. Typical of the great middle market of hotels, the brand's properties range from those that are relatively upscale to those that tend toward the budget category. Thus, would-be guests could not be certain of exactly what they could expect in a particular property. Given the competitive brand environment of the past decade, Best Western executives recognized the need to establish more consistent brand standards among a diverse membership.

A particular challenge was that the association had a single brand name for all its properties, but the variability in Best Western's member properties sometimes confused Best Western's guests. Unlike other chains that have sub-brands to appeal to their various guest tiers, Best Western's members were not disposed to create new brands within the larger Best Western chain, without an express demonstration of the economic value of creating brand tiers.

As the first step to address this dilemma, Best Western International launched an upscale descriptor, BEST WESTERN PREMIER®, in 2002, for some of its properties located in Europe and Asia. Later, Best Western leadership proposed expanding the BEST WESTERN PREMIER distinction to additional properties, as well as providing an additional designator BEST WESTERN PLUS®, which would apply to upper mid-tier properties. To demonstrate the value of the proposed brand tiers, the brand's leaders needed first to identify appropriate standards based on current guest expectations, and then make a business case to gain membership approval of those standards. In short, Best Western's leaders needed to provide evidence of the value of the proposed brand standards and the associated investments. Members want to know that a given investment will yield a profitable return; therefore, the chain needed to conduct research to create a compelling business case for proposed changes. That research is the topic of this report.

² See: Best Western Timeline and Story, <http://www.bestwestern.com/about-us/press-media/history.asp>.

Creating a Business Case through Research

To determine customer expectations and demonstrate the value of its proposed brand tiers, Best Western set out to answer the following questions:

- What products and amenities do guests expect to have when they stay at a midscale hotel?;
- What items leave guests annoyed when the hotel fails to provide them?;
- What items provide a positive differentiating experience for the guest?;
- What items provide a negative, distracting experience for the guest?;
- What items are important to targeted Best Western segments, such as business travelers and Millennial and Gen X travelers?; and
- Which potential upgrades might offer the most profitable return?

To create this research story, strategists working with the brand created a five-phase research approach. The steps were as follows: (1) a “Kano study” of guest preferences and dislikes, (2) conjoint or tradeoff analysis of consumers’ assessment of hotel features, (3) measurement of investment in and return for proposed changes and amenities, (4) implementation of selected features, and (5) expansion from the U.S. to other countries.

Phase One: Kano Study of Guest Preferences

The initial stage of the research involved conducting a Kano study to identify which elements were clearly essential to include as brand standards. Named after Japanese professor Noriaki Kano, the Kano model has been successfully employed in many studies of product expectations and customer satisfaction.³ It is particularly useful in the process of understanding shifting guest expectations in the hotel sector. This methodology classifies hotel features and amenities into the following five categories, according to customers’ preferences:

- *Delighters*: Items that guests do not expect, but improve the guest experience when they are present;
- *Satisfiers*: Items that generally are expected in a hotel and that have a positive impact on the guest when present, but a negative effect when not present;
- *Price of Entry*: Items that are widely expected and even considered basic to the experience. Guests only experience dissatisfaction when these features are absent;

³ Noriaki Kano, Nobuhiko Seraku, Fumio Takahashi, and Shinichi Tsuji, “Attractive Quality and Must-be Quality” (in Japanese), *Journal of the Japanese Society for Quality Control*, Vol. 14, No. 2 (1984), pp. 39–48. For a review see: Richard Oliver, *Satisfaction: A Behavioral Perspective on the Consumer* (New York: McGraw-Hill, 2010).

EXHIBIT 1

Combined list of Satisfiers and Price of Entry items, with guest rating percentages

Item	Satisfier + POE %
Top layer of bed coverings is laundered between guests, in addition to sheets	85%
Wall-mounted thermostat	81%
Ample exterior lighting	73%
Bathroom amenities: Conditioner + Lotion	71%
100% public spaces non-smoking	69%
Mini-refrigerator	69%
Bathroom amenities: Conditioner	68%
Bathroom towels large and plush	66%
Desk that is spacious enough to work at desk	66%
100% guest rooms non-smoking	61%
Breakfast dedicated seating	60%
Complimentary breakfast includes hot eggs or omelets	59%
Premium shower head	57%
Bed has four pillows	55%
Premium coffee during breakfast	54%
Breakfast assistant on hand	54%
Breakfast "to go"	54%
Microwave	54%
Coffee 24 hours a day	51%
Spacious lobby	50%
Automatic entry doors	50%
Bathroom amenities: premium brand	48%
Fitness center	47%
Complimentary breakfast includes freshly baked waffles	46%
Convenience store items	45%

Note: If hotel doesn't have these items, there is risk of displeasing guests, especially as items become more prevalent in midmarket hotels.

- *Detractors:* Hotel features that guests neither expect nor want; and
- *Indifferent or unimportant attributes:* Items that may or may not be expected, but the presence of which has little impact (good or bad) on the guest's perception of his or her experience.

The sample for Phase One consisted of 1,210 respondents recruited through an on-line panel provider, as well as through BWT's loyalty-program database (Best Western Rewards). Respondents were screened to include only those who had stayed at either a Best Western hotel or one of its competitive set within the prior six months. The questionnaire for this phase examined 60 product attributes and amenities, descriptions for which Best Western created and approved to ensure a clear understanding of what was being presented for evaluation. The on-line study allowed Best Western to accompany many of its product attributes with visual images provided by Best Western's design department.

The Kano questions were structured in the following manner:

Would you expect to find this item in a mid-priced hotel?

- Yes
- No
- No expectation either way

If the hotel had this item, would you...

- Not like that it was there?
- Like that it was there?
- Neutral / Does not matter?

If the hotel did **not** have this item, would you...

- Not like that it was missing or not there?
- Like that it was missing or not there?
- Neutral / Does not matter?

Using the Kano classifications, responses were tabulated for each attribute for the total sample, for business vs. leisure travelers, for those in BWT's reward program vs. those who are not participants, for various age groups, and for U.S. travelers vs. Canadians.

The attributes were placed in the Kano classifications according to the following criteria. These thresholds were also used to determine whether the attribute needed further testing in the second phase of the research.

- **Satisfier and Price of Entry.** An item was placed in these combined categories if at least 50 percent of respondents said that the item was either a satisfier or a cost-of-entry item. These items are considered essential to competitively operating a midscale hotel (Exhibit 1).
- **Unimportant or Indifferent.** Items were placed in this category if the percentage of those rating the attribute as Unimportant/Indifferent was 50 percent or higher.

- **Delighter.** An item was classified as a Delighter if 30 percent or more of respondents placed it in this category (see Exhibit 2).

Although we are well aware that today's Delighter becomes tomorrow's Price of Entry, we pursued the strong Delighters for our subsequent analysis. We could not see brand differentiation value in items scored by guests as Detractors, Indifferent, or even weak Satisfiers, in terms of what they represented financially to Best Western.

Some items had a relatively weak score because they were highly desirable only for one market segment. For example, business travelers may not care whether a hotel has a swimming pool, but that pool could be essential for leisure travelers with children. On the other hand, business travelers need considerable technology to stay in touch on the road, but other guests may be indifferent to in-room technology, or even find it objectionable. For these reasons, the conjoint analysis in phase two involved the Delighters, features that guests did not expect but which they liked. These attributes had the potential for brand differentiation, depending on the cost and effort of implementation. Best Western reviewed each of these attributes' scores to determine which would be included in the second phase of the research.

Phase Two: Conjoint (Trade-off) Analysis

Once the minimal brand standards were established (e.g., Satisfiers), the next phase was to determine features that presumably drive value for Best Western's guests (that is, the major Delighters). While these are brand features that go beyond the basics in making guests happy, the question becomes, how much would these features be worth to a guest or a hotel operator? Essentially, we needed a cost-benefit analysis for each feature, to see which would represent incremental room rate and which would involve an investment that was greater than the potential return. For those that had a positive return, we needed to calculate the payback period, so the hotel operator would know when to expect to recoup his or her investment.

To address these questions, we took the 37 hotel features that were identified as being outside the basic requirements of guest satisfaction, and we tested them in an experimental design known as conjoint analysis. This process uses a series of questions to determine which attributes customers would trade off against other attributes. To do this, we asked them to compare hypothetical combinations of the presence or absence of a set of brand features, together with theoretical average daily rates that the guests would be willing to pay for a room with these features.

We applied the following criteria to select the 37 features for the second phase of the study:

- Kano scores were high in two or more categories;

EXHIBIT 2

Delighter items

Item	Delighter Percentage
Flat panel TV — 42"	44%
Flat panel TV — 37"	40%
Flat panel TV — 32"	39%
Room has architectural details	32%

- Sum of Satisfier and Delighter scores exceeded 50 percent;
- Cost of implementing the item warranted knowing the theoretical revenue impact;
- Item was a proposed Best Western ballot item, therefore strong supporting data were needed;
- Item was a current perceived weakness for the chain, so more data were needed;
- Feature was hypothesized to have a negative revenue impact, meaning that hypothesis should be tested; and
- Item was not included in Phase One (assumed not to be necessary), but information about the financial impact of the feature was desired by Best Western management.

The conjoint-based approach to determine the "value" of the tested features originated in mathematical psychology.⁴ This procedure is frequently used in market research to determine how people value different features that make up a particular product or service. Conjoint analysis determines what combination of a limited number of attributes is most influential on a respondent's choice or decision making. Many conjoint analyses integrate price point as one of the variables to determine how much a particular feature is worth relative to the price someone would pay for that attribute. From this, one can determine the implicit valuation of the individual elements making up the product or service. These implicit valuations (utilities or part-worths) can be used to create market models that estimate market share, revenue, and even profitability of new product designs. This approach has been successfully applied to the hospitality sector in a number of instances.⁵

⁴ P. Green and V. Srinivasan, "Conjoint Analysis in Consumer Research: Issues and Outlook," *Journal of Consumer Research*, Vol. 5 (1978), pp. 103-123; and P. Green, J. Carroll, and S. Goldberg, "A General Approach to Product Design Optimization via Conjoint Analysis," *Journal of Marketing*, Vol. 43 (1981), pp. 17-35.

⁵ For example, see: R. Verma, "Customer Choice Modeling in Hospitality Services: A Review of Past Research and Discussion of Some New Applications," *Cornell Hospitality Quarterly*, Vol. 51, No. 4 (November 2010), pp. 470-478.

Conjoint analysis example

“Please read what is available at the two Best Western hotels described below.”

Best Western Hotel #1	Best Western Hotel #2
<p>An area in the lobby with convenience store items (e.g., disposable cameras, cold medicine, and snacks).</p> 	<p>There is no area in the lobby with convenience store items (e.g., disposable cameras, cold medicine, and snacks).</p>
<p>Complimentary breakfast includes hot eggs or omelets.</p>	<p>Complimentary breakfast does not include hot eggs or omelets.</p>
<p>Bed covering is a common, polyester-filled bedspread.</p> 	<p>Bed covering ensemble includes a throw-style, non-quilted coverlet or duvet.</p> 
<p>In addition to the sheets, top layer of bed coverings (bedspread, duvet cover) is laundered before every guest visit.</p>	<p>Sheets are laundered before every guest visit but not the bed covering (bedspread, duvet, etc.).</p>
<p>A 25" standard tube TV is in the guest room.</p>	<p>A 37" flat-panel, high-definition TV is in the guest room.</p> 
<p>(Other features included according to the research design.)</p>	<p>(Other features included according to the research design.)</p>
<p>\$85 per night</p>	<p>\$105 per night</p>

“All else being equal, which Best Western hotel would you rather stay at?”

(1) Hotel #1

(2) Hotel #2

The conjoint methodology presents participants with varying lists of features in a hypothetical product. A given feature may be present in particular scenario, while others are absent (or high or low), and sometimes that feature is absent, but the others are present. In choice-based experiments, the hypothetical products and services can be either full

profile (FP) or partial profile (PP). Full profile experiments are those that display a level of every attribute in the study in every product profile. In this case, that would have meant using all 37 of the hotel features in every question, which would have been almost impossible for the respondents to address. Instead, we used a partial profile experiment, which

Theoretical values of hotel features

Hotel Feature	Amount Guest Willing to Pay for Each Item at an \$85 BW
42" flat-panel TV	\$18.81
37" flat-panel TV	\$15.86
Triple-sheeting	\$12.47
32" flat-panel TV	\$12.32
Bed covering laundered between guest stays	\$8.77
Throw-style coverlet or duvet	\$7.99
Architectural details in room	\$6.45
Exterior curb appeal	\$6.33
Mini-refrigerator	\$6.05
Convenience store in lobby	\$5.73
Breakfast "to go"	\$5.68
Eggs or omelets	\$5.62
iPod, laptop connect via TV panel	\$5.35
Microwave	\$4.85
Enclosed closet	\$4.11

Hotel Feature	Amount Guest Willing to Pay for Each Item at an \$85 BW
Treatment to conceal top of drapery	\$3.79
Vanity top stone, synthetic	\$3.69
Coffee in lobby 24/7	\$3.34
Automatic entry doors	\$3.21
Bed w/ dust ruffle or skirt	\$2.99
TV w/ 10 channels HD programming	\$2.76
Upgraded tub/shower surround	\$2.66
TV w/ on-demand, PPV programming	\$2.34
Waffles	\$2.30
Oversized tub, no shower	\$2.23
Business center	\$2.09
Decorative vanity light	\$1.78
Premium brand shampoo, conditioner	\$1.78
Flush-mounted lamps	\$1.44
"Hollywood" style vanity light	\$1.44
Conditioner & lotion w/ shampoo	\$1.43
Breakfast assistant	\$1.35
Grab bar in bath	\$1.27
Conditioner w/ shampoo	\$1.22
Table lamps	\$1.15
1 oz. soap	\$.96
Exterior trash cans of high quality	\$.54

uses profiles that specify a level for only a subset of the attributes under study (usually 5 or fewer). This is far more efficient and tolerable for the respondents.⁶ Exhibit 3 presents an example of how the tradeoff exercise was constructed for the respondent. By designing the choice sets properly, we can get an overall picture of the relative value of all 37 features. One feature we did present each time was various rate points in connection with the presence or absence of a particular set of hotel features. These guest trade-offs revealed the theoretical revenue impact of each hotel feature or upgrade. For this phase we drew an entirely new set of re-

⁶ For a review of full- and partial-profile designs, see: K. Chrzan and B. Orme, "An Overview and Comparison of Design Strategies for Choice-based Conjoint Analysis," *Proceedings of the Sawtooth Software Conference*, 2000.

spondents, using similar screening criteria as those in Phase One. We collected a solid sample of 1,207 surveys.

Results of Phase Two

The results of Phase Two showed a theoretical value for each of the 37 tested features. We applied an \$85 room rate as a base, which was the average ADR for a North American Best Western hotel. From that base, we show the incremental revenue for each of the tested features in Exhibit 4.

Two considerations should be mentioned in interpreting these data. The first is that the experimental design isolates a value for the various features separately from other features, even though that is not how a hotel purchase decision operates. For example, no one would expressly acknowledge a willingness to pay an extra fifty-four cents a night for a nicer

EXHIBIT 5

Theoretical return on low-cost features

Items Tested	Theoretical Return
Eggs or omelets with breakfast*	27
Coffee in the lobby 24 hours a day	26
1oz. soap	13
Waffles with breakfast*	8
Breakfast "to go"	2
Conditioner, in addition to shampoo	2
Conditioner and lotion, in addition to shampoo	1
Breakfast assistant	1
Premium-brand shampoo, conditioner	0.4

* Note: The theoretical return table presents the proportional ratio of guest perceived value against Best Western's costs. The analysis considered fixed costs only. In these cases, variable costs would affect the return ratio, but these variable costs (labor and energy) are excluded for this simple analysis.

trash can outside the hotel. That said, this exercise provides an estimate of the value of presenting an appropriate public face for a hotel. The second consideration goes back to the reality that the value of any particular hotel feature constitutes a moving target. At the time the research was conducted, the theoretical value of a flat screen TV in a room was between \$12 to \$18 per night in incremental room rate. This value has likely deflated as flat screen TV penetration has increased.

Phase Three: Measuring Investment and Return

Phase Two examined the theoretical amount guests would be willing to pay for the item when staying at a mid-priced hotel. In Phase Three, we turned to the tradeoff between the amount of the investment and the potential return, to calculate a payback for each added feature or amenity. For this we used installation or operating costs provided by the Best Western design department to calculate a probable return on the investment (or, as appropriate, a break-even estimate). The limitations of this research approach are as follows:

- Guests will not have all information about features or upgrades when booking a room;
- There are normal variations based on the competitive set within individual markets; and
- Certain features are part of an ensemble (e.g., bed coverings, linens) for which determining individual perceived values would not be appropriate.

EXHIBIT 6

Quick-return items on break-even analysis

Items Tested	Days to Break-even	Comments
Convenience store items	3	Excludes potential profit or loss on goods sold
Triple sheeting	11	w/ bed scarf
Trash receptacles of high quality	14	
Coverlet or duvet	17-25	
Grab bar	18	Excludes installation
Microwave	26	Excludes energy
Exterior curb appeal	33	
Business center	34	Excludes loss of revenue for rooms not in use
Automatic entry doors	35-46	Excludes installation
Dust ruffle / bed skirt	42	
Mini-refrigerator	46	Excludes energy
Top of drapery concealed	52	Excludes installation
"Hollywood" style vanity lights	55	Excludes installation
Room has architectural details	59	Excludes installation
Bed covering laundered between guests	60	Includes laundry and replacement costs

Using the collected information, an Excel-based simulator was created to improve decision making. The simulator allowed executives and members to ask "what if" and see the results on the fly. It allowed Best Western to enter core guest profiles in terms of gender, travel purpose (business or leisure), and other demographics. For each profile, the simulator displays which features or upgrades are important to that core guest. The exercise also considered member hotels' average size (84 rooms) and occupancy rates (63%) to determine an owner's average time to realize a return on investment.

These data permitted two analyses: (1) theoretical return and (2) break-even analysis (as shown in Exhibits 5, 6, and 7). Theoretical return is used to evaluate lower-cost items (e.g., shampoo, breakfast foods) and compares

perceived guest value against ongoing costs. Break-even analysis is used for higher-cost enhancements that must be installed (e.g., fitness centers, business centers, HD TVs) to determine how much time it would take to earn back the cost of installation. This is based on current ADR, as well as average hotel size and occupancy rates. Again, it is difficult to include all costs in these types of analyses, such as energy and labor costs. However, the more data available in this regard, the more predictive these analyses will be.

The calculations are:

Theoretical Return (*small-ticket items and F&B upgrades*):

Guest-perceived value from Exhibit 4 ÷ BW cost

Break-Even Analysis (*high cost, durable items that must be installed*):

Number of Days to break-even (daily value ÷ daily cost)

Based on theoretical return analysis, the data show that simple items such as eggs for breakfast 1 and 24-hour coffee in the lobby bring an extremely strong return, while some bathroom amenities do just slightly better than paying for themselves. With regard to break-even analysis, the items represented in Exhibit 6 show upgrades that have the potential to pay for themselves within two months. We note the additional costs not considered in this analysis, but even with those costs added, generally these items represent “good values” with regard to their potential revenue potential.

So, for example, upgrading bathrooms represents the greatest long-term investment. In the case of taking out bathtubs and replacing them with oversized showers, the data suggest it will take well over two years for a hotel to break even on such an investment.

Phase Four: Implementing the Results

Using the results of the study, Best Western proposed that a number of the features in the test should be made “brand standards” that are required for all North American properties. Other items were deemed to be optional, based on the hotel owners’ willingness to make the necessary investments for the upgrades. During Phase Four, results were communicated to Best Western’s board and membership. The purpose was to build the case for the ballot initiatives. As an outcome of the research, the Best Western North American membership voted on and approved detailed bedding upgrades and breakfast standards, based on the understanding of the return on the needed investment.

Phase Five: Repeating the Process Internationally

Following the presentation of the North American research to the Best Western Membership Board of Directors, the research was successfully replicated in the following countries: Australia, France, Germany, Italy, New Zealand, and the United Kingdom. The purpose of the international

EXHIBIT 7

Slower-return items on break-even analysis

Items Tested	Days to Break-even	Comments
Decorative vanity lights	67	Excludes installation
Connect laptop or iPod to TV from convenient panel	74	
32" flat-panel, high-definition TV	81	Excludes installation
37" flat-panel, high-definition TV	100	Excludes installation
42" flat-panel, high-definition TV	102	Excludes installation
Natural stone or synthetic vanity top	119	Excludes installation
On-demand or pay-per-view TV programming	199	Includes startup (\$30k), assumes \$10 from 3 people each night over one year
Flush-mounted wall lamps	199	Excludes labor to re-wire
Upgraded tub / shower surround	225	Excludes installation
Table lamps	278	
Enclosed closet	291	
HD TV programming (10 channels or more)	1.7 years	Includes startup (\$50k), one-year
Oversized shower, no tub	2.8 years	Excludes installation

research was twofold: Best Western wanted to understand the difference in consumer expectations globally in order to update the existing global brand standards. Secondly, the research provided an understanding of regional differences in customer expectations. Not surprisingly, there were some interesting differences in perceived value internationally compared to North America.

Summary

The hotel industry’s most recent amenity war, occurring in 2005 through 2007, meant that the cost of operating a hotel dramatically increased as owners added amenities and

features. Best Western's scientific approach involved careful study of costs and benefits before mandating design or amenity requirements, based the value the customer will place on any improvement.

This is not the first time that Best Western has used strategic brand research. Through consumer research, it has achieved a number of notable industry firsts. Best Western was the first brand to offer free high-speed internet access at all of its North American properties; the first to launch virtual tours for each of its North American hotels on the brand's web site; the first to offer electronic gift cards redeemable in various currencies and for free nights; and the first to initiate strategic and exclusive partnerships with NASCAR® and Harley-Davidson®. The research described in this document was the precursor to the development and launch of the BEST WESTERN PLUS® and BEST WESTERN PREMIER® descriptors, as well as the relaunch of BEST WESTERN®. Under the leadership of its president and CEO, David Kong, a strong advocate for data-driven decision making, the chain has achieved significantly higher guest satisfaction and superior revenue delivery to its member hotels.

Regardless of the strength of any region's economy, hotel companies are in a difficult position due to the continued escalation of amenities and features. In order to build strong brand equity, it is critical for hotels to continually revise their brand standards. At the same time, it is difficult to ask hotel operators to make significant investments without being able to demonstrate the financial value of those investments. While no statistical model or research approach can do this perfectly, the Best Western approach has produced

strong predictive validity. Briefly summarizing this approach, it entails:

- Finding out the "basic" guest requirements and making sure you have them as part of your brand standard;
- Identifying features and upgrades that guests value, taking into consideration that not all hotels within a chain may target the same guest segments (e.g., leisure vs. business; families with children vs. travelers without children);
- Using conjoint or trade-off research to determine perceived value among customer segments; and
- Measuring perceived value against costs to determine ROI.

The greatest challenge, however, is the shifting nature of guest expectations. For example, the Best Western study showed that guests at that time would pay a significantly higher average daily rate for rooms with flat panel television screens. In the past year, though, flat panel TVs have become much more commonplace in mid-market hotel rooms, thus reducing much of the competitive advantage of having them. Similar situations will continue to challenge hotel owners. Do they invest early before the feature is a requirement? Or do they wait until they must upgrade to remain competitive and thereby see less return on their investment? This research represents a snapshot of the value of an upgrade at a particular time, but there has to be an understanding that the value of the investment will decrease with time, sometimes at a fairly rapid pace of depreciation. ■

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