

Best Practices in Marketing

by *Judy A. Siguaw and
Cathy A. Enz*

Here are 20 ways to focus more closely on satisfying hotel guests—thereby making more money for the property.

The cornerstone of marketing is the marketing concept, which involves identifying and satisfying the needs of a particular market more effectively, efficiently, and profitably than competitors do. In a recent comprehensive study on best practices in the lodging industry conducted by researchers affiliated with the Cornell University School of Hotel Administration, certain companies were identified as being notable for their marketing efforts.¹ These best-practice champions identified by peer organizations and managers (see Exhibit 1) were recognized for having placed the satis-

faction of customer needs at the forefront of company concerns and for matching what customers want with what the product offers.

In this paper we provide an overview of these champions' innovative practices within key areas of marketing. We first examine those companies that have excelled in sales management and then follow with a discussion of champions in the area of promotions. We next identify and explain the practices of our champions in other key areas of marketing, including channel relationships, target marketing, marketing research, product development, and

¹ The full study is available in Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (New York: American Express and the American Hotel Foundation, 1999); for a summary of the study methodology, see: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, "Best Practices in the United States Lodging Industry: Overview, Methods, and Champions," *Cornell Hotel and Restaurant Administration Quarterly*, Vol. 40, No. 4 (August 1999), pp. 14–27.

Judy A. Siguaw, D.B.A., is an associate professor of marketing and sales at the Cornell University School of Hotel Administration «jas92@cornell.edu», where Cathy A. Enz, Ph.D., is the Lewis G. Schaeneman, Jr., Professor of Innovation and Dynamic Management «cae4@cornell.edu».

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Exhibit 1

Overview of marketing best-practice champions

<u>Marketing champions</u>	<u>Practice initiated, developed</u>	<u>Measure of success</u>
Abbey Group Resorts	Offering group-price leisure stays to convention and meeting guests	Increased occupancy
ACCOR North America	Relationship selling	Increased sales performance
Cendant Corporation	Alliances with national vendors	Decreased costs and enhanced revenue
Clarion Hotel-Comfort Inn & Suites	Sales leads from all employees	Enhanced revenue
Embassy Suites-Greater Minneapolis	Consolidated sales offices	Increased occupancy and ADR, decreased costs
Farmington Inn (Farmington, Connecticut)	Original books for promotional tools	Innovative Business Award, Stars of the Industry Award
Holiday Inn Express-Cripple Creek	All employees sell	Increased occupancy and ADR
Holiday Inn Express-Helena	Satisfaction of customer needs	Improved guest satisfaction, decreased employee turnover
Hyatt Hotels Corporation	Marketing research on guest satisfaction	Improved guest satisfaction and customer service
Inn at Essex (Burlington, Vermont)	Vinyl-wrapped bus promotion	Increased group business and restaurant business
Knights Inn-Summerton	Targeted self-developed mailing lists	Increased occupancy and group business, enhanced revenue, improved employee morale
Marriott International	Key-account focus, event-booking centers Development of new products and brands	Ranked as top sales force Competitive in every hotel segment, enhanced franchisee relationships
Motel 6	Memorable and effective advertising message	Increased occupancy, many ad awards
The Pierre (New York City)	Increasing independents in the sales mix and focusing on specific markets	Tripled GOP, increased guest retention, and increased ADR
Residence Inn	Sales training and strategy	Maintained high occupancy rate, improved RevPAR
Swissôtel	Global sales effort for key accounts Creation of revenue-manager position	Enhanced revenue Increased occupancy and ADR
Travelodge	Loyalty program	Increased ADR and lengths of stay
US Franchise Systems	Revised franchising agreements	Facilitated growth

pricing. Each section concludes with insights obtained from the implementers of these practices to assist those who may want to adapt and improve the practices for the benefit of their own firms.

The Key to Sales Management

Sales constitutes the lifeblood of any business. A recent marketing text nicely summarized the overall objective of sales thus: "to build a relationship—a partnership—by providing long-term benefits to both the seller and the customer."² In accordance with this two-prong sales objective, it should be no surprise that those hotels that place an emphasis on managing the sales function are also those which typically report the highest levels of profitability. True to form, our sales champions reported that implementing their best practice resulted in higher occupancies, an increase in ADR, enhanced gross operating profit, and, frequently, improved guest satisfaction. Indeed, as the best sales-management practices included herein illustrate, satisfying customer needs is at the center of successful hotels' selling efforts, although each organization or property has chosen a different route by which to provide long-term benefits to its target market. Exhibit 2 summarizes the 20 marketing best practices that we studied, including a description of the practice, the method of implementation, and information on the contact person.

Best Sales Practices

We found that the best sales-management practices fit into the following three categories: (1) sales training and performance measurement, (2) sales-force restructuring, and (3) sales strategy. As the cases

we discuss demonstrate, each of these practices involves focusing directly on target markets.

Sales training and performance measurement. We found that training is an effective way to redirect and improve sales. For example, Residence Inn sought a new sales strategy to better define the needs of its market, while ACCOR North America recognized the need to differentiate the company from competitors. As a result, each of these companies designed custom training programs for their sales forces. Residence Inn created a program to train its sales force on how to approach and sell to the chain's target extended-stay market. In a mandatory, week-long program, salespeople are taught that the most effective means of prospecting for the extended-stay market (traditionally a difficult customer segment to identify) is to target three corporate groups: (1) training departments, as they may offer two- to three-week classes; (2) human-resources departments, which will know of employees who will be relocating to a particular area; and (3) specific departments or functional areas that are likely to be involved in project assignments, such as an information-technology installation, which may require programmers, engineers, and system installers to be on site for lengthy periods of time. Once the prospects have been identified, the sales force turns to determining the prospects' needs and explaining the benefits to them of lodging with Residence Inn.

ACCOR, on the other hand, crafted a model of customer-relationship development that identified customer expectations at each of six stages in their development of a relationship with the firm, as shown in Exhibit 3 (on page 37). The model identified the key selling activities that the sales team must employ at each stage of the sales

process to meet customer expectations. Each phase has a performance measure that allows a constant evaluation of each sales team's achievements

Sales-force restructuring. A desire to accomplish better cross-selling of properties and customers was the driving force behind the implementation of restructuring practices for several champions—including Embassy Suites of Greater Minneapolis, Marriott International, and Swissôtel. Embassy Suites reorganized the offices in one of its properties and created a central reservation system for three—soon to be four—nearby properties in Minneapolis. The total number of employees in reservations sales over the three properties was reduced, while staffing hours increased. An upgraded computer system and a more sophisticated telephone system provided the consolidated sales force with the tools it needed to effectively serve all the hotels. Moreover, the new sales group accepted additional responsibilities, including revenue management, forecasting, and preparing rooming lists. Costs for the centralized system are allocated to each hotel based on relative number of units.

Swissôtel's practice places what it calls a global team leader in the location from which the greatest percentage of a given key account's business is generated. Then it assigns regional team leaders in other geographic sectors for the same key account. The sales team then can provide sales support to the key account by using the information on the account contained in the global sales system. For example, say that a multi-national company, XYZ Corporation, is "owned" by the northeast sales division, where the majority of its business originates. Swissôtel would assign its global team leader to the northeast division, while other geographic areas

²Barton A. Weitz, Stephen B. Castleberry, and John F. Tanner, *Selling: Building Partnerships*, second ed. (Chicago: Irwin, 1995), p. 6.

Exhibit 2

Marketing best-practices cases, descriptions, implementation, contact people

Marketing champion, Title of case	Description of case	Method of Implementation	Contact person
Abbey Group Resorts <i>Increasing Leisure Stays from Convention and Meeting Guests</i>	Created an incentive to encourage meeting planners and convention participants to return as leisure guests by granting each a future leisure stay at the group rate.	After developing the concept, Abbey Group began including the incentive in sales presentations to meeting planners. The focus is on how the promotion provides added value for both the meeting planners and their clients.	Phillip Anderson, <i>director of sales and marketing</i> 800-643-6382 Fax: 414-275-5910
ACCOR North America <i>Formalizing the Relationship Selling Process and Sales Team Activities</i>	Developed six-stage process identifying customer expectations and requiring specific sales activities at each stage of customer-relationship development.	Developed by cross-functional team over 18 months. Customers and sales force consulted. Each phase has a performance measure by which sales teams are assessed.	Robert Mackey, <i>VP of sales and marketing</i> 212-949-5700 Fax: 212-490-0499
Cendant Corporation <i>Developing Preferred Alliances with National Vendors</i>	Negotiated preferred alliance agreements with 110 major U.S. corporations to provide savings to franchisees and generate revenues for the company.	Sought alliances with only the largest companies because they wanted vendors that could offer nationwide service to all their hotels. Presents alliance agreements as opportunities that could increase the franchisee's bottom line.	Dan Tarantin 757-687-8240 Fax: 757-973-8973
Clarion Hotel- Comfort Inn & Suites <i>Generating Sales Leads from Employees: A Contest Approach Program</i>	Encouraged all employees to generate leads for the sales force by submitting the names and contact information of any company that the employees encountered. Prizes were awarded for the leads.	The program was discussed and explained at a department-head meeting and then introduced to the entire staff at an employee meeting. Flyers were printed for all employees with spaces for lead names, addresses, phone numbers, contacts (if known), and sources of the lead. The contest ran for two months, and awards were offered in different categories, such as for providing the most leads with potential.	Patricia Molina, <i>director of sales and marketing</i> 305-871-6000, ext. 7049 Fax: 305-871-4971
Embassy Suites- Greater Minneapolis <i>Consolidation and Centralization of Reservations Sales Offices</i>	Consolidated reservations sales forces of three nearby properties and created a centralized reservation system.	Shuffled offices in one property to find space for consolidated office. Installed upgraded computer system and sophisticated phone system to provide information on all three properties. Assigned new responsibilities to the sales force and was able to increase staffing hours.	Jane Serrano, <i>general manager</i> 612-854-1000, ext. 250 Fax: 612-854-6557
The Farmington Inn <i>Writing Historical Fiction Books to Enhance Marketing</i>	Produced a softcover storybook blending fact and fiction, which served as a promotional tool for the hotel and surrounding area.	Developed fictional story based on local historical fact and lore. Book is placed on guest's pillow so guest can read about the local area. Has developed into a well-received marketing tool.	Robert Bremkamp, <i>director of sales and marketing</i> 860-677-2821 Fax: 860-677-8332
Holiday Inn-Cripple Creek, Colorado <i>Making Every Employee's Job a Sales Job</i>	Every employee is a sales associate. All employees follow up on leads. A mindset is established among all employees that promoting sales is the most important part of their jobs regardless of the position they hold in the hotel.	All employees work on sales to guests in the hotel, and auditing and front-desk personnel perform exterior sales tasks. During the graveyard shift, the auditing department faxes sales messages to leads, and during the day front-office employees follow up with a personal visit or telephone call.	Chris Mauter, <i>owner and general manager</i> 719-689-2600 Fax: 719-689-3426

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Marketing best-practices cases, descriptions, implementation, contact people (continued)

Marketing champion, Title of case	Description of case	Method of Implementation	Contact person
Holiday Inn—Helena, Montana <i>Achieving Quality Customer Service at an Economy Property</i>	Exceeds expectations of target market through numerous practices including smoke-free environment and extra amenities.	To attract health-conscious guests, given nearby medical complex, hotel was made smoke-free and amenities were added such as a business center and in-room computer data ports.	Betsy Baumgart, <i>general manager</i> 406-449-4000 Fax: 406-449-4522
Hyatt Hotels Corporation <i>Survey-based Guest-satisfaction Program</i>	Conducted extensive research to develop measure and mechanism for assessing guest satisfaction. Resulting telephone-survey measure and data are tied to training, and usefulness of data is ensured.	Determined method that would yield highest response rate and identified items which would provide needed information. Contracted with Gallup Organization to conduct random phone surveys of guest satisfaction within two weeks of a guest's stay. Achieves 90% response rate.	David Kong, <i>general manager, sales & marketing</i> 312-750-8511 Fax: 312-920-2351
The Inn at Essex <i>Advertising on City Buses to Create Awareness</i>	Wrapped a city bus in a vinyl picture of country-style inn that included text of various points on why one should stay there.	Needed method of advertising that would provide increased consumer awareness and yet would be relatively inexpensive. The director of marketing and a joint marketing committee initiated the idea and developed and implemented it in conjunction with the Chittenden County Transportation Authority.	Linda Seville, <i>director of marketing</i> 802-764-1444 Fax: 802-878-0063
Knights Inn—Summerton, South Carolina <i>Creating Your Own Mailing Lists To Increase Business</i>	Developed own mailing lists and targeted its budget services to fishing and golf enthusiasts to create demand in an impoverished geographic market.	Compiled list of golfers who had played in the area. Supplemented that with the guest-history database and names from the newspaper. Also developed list of fishing guides. Sent out 10,000 advertising pieces to sports enthusiasts in 11 states in the southeastern U.S. Used interstate-highway billboard ads and a no-nonsense pricing structure. Opened restaurant at 5:00 AM to meet need of target market.	Arun Bivek, <i>chief executive officer</i> 803-485-2895 Fax: 803-485-2895, ext.161
Marriott International <i>Sales Innovations Strategies</i>	Instituted "customer-centric" sales force, event booking centers, cross-selling, single-image inventory, on-line marketing, and training for travel agents.	Sales force is based where customers are located. Event-booking centers serve to book events using 50 rooms or less and provide one-stop shopping. Cross-selling is used for transient guests. Created comprehensive travel-agent training course on how to sell a hotel.	Richard Hanks, <i>executive VP of sales</i> 301-380-6734 Fax: 301-380-2237
and <i>Successful Creation of Brands</i>	Developed a process used to determine the desirability and feasibility of creating a new brand of hotels.	Requires an integrated approach led by multiple disciplines, including brand management, franchising, development, finance, market management, architecture, and construction, to yield a well-rounded perspective.	Joe Lavin, <i>senior VP, franchising</i> 301-380-4026 Fax: 301-380-2225
Motel 6 <i>Developing a Memorable and Effective Advertising Message</i>	The "we'll leave the light on for you" advertising campaign was designed to emphasize Motel 6's low prices and value in a down-home, friendly, hospitable, no-frills presentation that would identify Motel 6 as a major player in the budget market.	An advertising agency was hired to come up with a national advertising campaign to create appealing brand image. Folksy image was personified by Tom Bodett, and the concept was developed to emphasize the unpretentious value of the product, as well as the homespun theme.	Carol Kirby, <i>executive VP of marketing & sales</i> 972-702-6990 Fax: 972-386-4017

Continued on next page

Marketing best-practices cases, descriptions, implementation, contact people (concluded)

Marketing champion, Title of case	Description of case	Method of Implementation	Contact person
The Pierre <i>Maximizing Profitability by Managing the Sales Mix</i>	Reduced group-sales efforts and placed a greater focus on obtaining individual sales—both domestic and foreign—within selected target market to achieve higher room rates.	Set limitation on the number of group rooms that could be sold each day. Focused on bringing new clients into the hotel, especially from the entertainment and fashion industries and from select foreign markets.	Didier Le Calvez, <i>general manager</i> 212-383-8000 Fax: 212-826-0319
Residence Inn <i>Sales Strategies for the Extended-stay Market</i>	Developed program to train sales force to go directly to the decision makers who commit themselves and others to extended stays.	Requires one week of entry-level training in which salespeople are trained to prospect for business, especially by targeting three divisions within corporations. Sales force is also trained on discerning needs of clients and explaining how benefits of the extended-stay product will satisfy those needs.	Stacey Fell Milne, <i>brand team VP</i> 800-638-8106, ext. 82397 Fax: 301-380-6197
Swissôtel <i>Implementing a Global Sales Effort</i>	Developed global sales effort for key accounts by placing a global team leader in the area from which the bulk of the account's business is generated; regional team leaders for the same key account are located in other geographic sectors. The sales team cross-sells the key account by using information found in the proprietary global sales-data system.	First, sales associates worked on acquiring detailed information about their various accounts. Information was fed into the proprietary data system. Next, a global sales-team effort for qualified key accounts was initiated that designated a global team leader and regional team leaders for each account.	Steve Houser, <i>VP of sales and marketing for the Americas</i> 312-565-7919 Fax: 312-565-4382
and <i>Creation of a Revenue-management Position to Increase Room Sales Revenues</i>	Created a revenue-management position, which stations the revenue manager at the highest level of the hotel property. The RM is responsible for determining the best price that may be obtained for the product, using the date, the season, the day of the week, the competitive situation, and other factors that enter into establishing a room rate.	Swissôtel's top managers had to first be persuaded that a revenue manager should be on the same level as the assistant manager, controller, and director of sales. Only the GM can overrule the revenue manager. Next, a system had to be developed to provide the optimum rate for maximization of room revenue, and then staffing the newly-created positions with math- and detail-oriented executives who were able to make decisions, accept some risk, and rapidly adjust to inevitable mistakes.	Carl Kortum, <i>VP of operations</i> 312-565-8240 Fax: 312-565-4382
Travelodge <i>Guest-loyalty Program at the Economy Level</i>	Created a guest-loyalty program which awards points for room-nights. Points can be redeemed for travel awards or merchandise items found in a catalog. Program is easy to join and operate at the property level, and has a low threshold for guest participation.	Created application form that could be easily completed and used immediately. Catalog of gifts was created to appeal to guests. First Travelodge Miles award is set at a low 250 points, which requires only a three-night stay. Guest achieves VIP status at 750 points.	Dorothy Dowling, <i>VP of marketing</i> 973-496-8913 Fax: 973-496-2284
US Franchise Systems <i>Franchising Agreements at USFS</i>	Developed a "fair and reasonable franchise agreement" that treats franchisees as partners.	USFS's franchise agreement is more equitable than standard franchise agreements. It incorporates a protected territory for the franchisee, lower transfer fees, and liquidated damages tied to property performance; upgrades based on quality scores for five years; and standards modifications require approval of 66 percent of hotels in the system.	Mike Leven, <i>president & CEO</i> 404-321-4045 Fax: 404-321-4482

Note: The case titles correspond to the cases written on each champion in: Laurette Dubé, Cathy A. Enz, Leo M. Renaghan, and Judy A. Siguaw, *American Lodging Excellence: The Key to Best Practices in the U.S. Lodging Industry* (Washington, D.C.: American Express and the American Hotel Foundation, 1999).

in which XYZ has a presence would host regional team leaders. Under this sales structure a particular sales manager may be a global team leader for one key account and a regional leader on another key account. The global and regional team leaders' sole responsibility is selling.

Marriott International developed several sales innovations. One innovation, known as a "customer centric" sales force is similar to Swissôtel's practice. Marriott's customer-centric organization places salespeople where customers are located rather than in a Marriott hotel. Another new practice is event-booking centers (EBCs). Each EBC is a small-meeting-reservation center that books meetings involving 50 or fewer guest rooms at a set of between five to 20 hotels of all Marriott brands. The result is that such customers enjoy one-stop shopping, because their telephone calls are transmitted directly to the booking center and not to an individual hotel.

Unlike the other champions in this section, the Holiday Inn Express-Cripple Creek was concerned about selling just one property. To that end, its managers believed simply that every employee should directly contribute to the profitability of the hotel. Consequently, this hotel exemplifies the belief enunciated by Helmut Knipp, president and CEO of Lexington Management Company, that the "whole hotel is the sales department" by making every employee a sales associate. Indeed, job descriptions for all hotel positions begin "every employee must be sales-promotion minded." Hence, all employees, from the night auditor to the front-office clerks, contact prospective guests and follow up on leads. The employees work to improve "interior sales" by increasing interaction and service to current guests, and seek

Exhibit 3

ACCOR's model of customer-relationship development

(1) Pre-sale research

- A. Customer expectations—knowing their business and anticipating their needs
- B. Key sales activities
 1. Gathering information about their business
 2. Analyzing their sales potential
 3. Developing a strategic sales plan

(2) Probing and analyzing needs

- A. Customer expectations—focusing on their specific needs, rather than asking fact-finding questions
- B. Key sales activities—use appointments to:
 1. Identify decision-making process
 2. Examine long-term partner potential
 3. Determine kind and scope of competition

(3) Presenting and recommending solutions

- A. Customer expectations—submitting a clear contract tailored to their needs that is flexible enough to change if specifications change
- B. Key sales activities
 1. Internal team validates customer needs
 2. Solutions are cost effective
 3. Third-party endorsements are used
 4. If business is lost, find out why

(4) Implementing solutions—attempt to support value-added product that meets or exceeds customer needs

- A. Customer expectations—scheduling deadlines; specifying key hotel contact, and determining time standards and a communication process
- B. Key sales activities
 1. Introduction of operations group to client
 2. Internal accounting procedures
 3. Development of a thorough communication plan between hotel and client

(5) Monitoring results—to insure profitability and customer satisfaction

- A. Customer expectations—corrective action taken rapidly if need be; a high level of feedback and communication
- B. Key sales activities
 1. Compare actual business with committed business
 2. Continuous feedback and communications to maximize customer satisfaction

(6) Maintaining and expanding the partnership—anticipating future needs and recommending new solutions

- A. Customer expectations—knowledgeable about their business to help them make better decisions
- B. Key sales activities
 1. Customer appointments to review results and ask for additional business
 2. Use outside services to keep up-to-date on customer's business
 3. Thank them for the business

to enhance “exterior sales” by identifying and calling potential guests. During the late evening shift, for instance, the night auditor faxes messages to a list of leads expressing the hotel’s interest in accommodating these guests. Then each front-office employee follows up those late-night faxes with a minimum of ten daily personal visits or telephone calls.

Sales strategy. The Pierre’s managers believed that its GOP was not being maximized because the hotel was too aggressive with group sales (compared to independent-traveler sales). Rooms occupied by groups were typically discounted, even during peak periods when the hotel could otherwise have charged rack rates. Using the Delphi property-sales system and selective sell targets, managers placed a strict limitation on the number of group rooms allocated for each day. After restricting group sales, The Pierre focused on introducing new clients to the hotel by carefully limiting its target markets to persons in the entertainment and fashion industries, plus selected overseas customers. Serving these target markets has allowed The Pierre to be more aggressive in achieving rack rates. The hotel also integrated the enhanced services demanded by those clients, and the additional cost of those services was offset by higher room rates.

Success of the Practices

All our champions reported financial improvements as a result of their sales practices, and most have noted an increase in customer satisfaction. ACCOR’s Sofitel brand, for instance, saw an increase in sales-team performance scores from 88 percent to 95 percent in just one year. Similarly, since Swissôtel began focusing on key accounts it has garnered a 25-percent revenue increase of \$9 million from just 150 accounts. Residence Inn assessed its success via occupancy rates, which have reached

approximately 85 percent, and RevPAR, which is up 4 percent. Marriott International’s sales force underscored its successful achievements by earning the honor of being the only lodging chain over the last two years to place in the top 25 of *Sales and Marketing* magazine’s sales-force rankings.

Embassy Suites—Greater Minneapolis also reported higher occupancy rates and an increase in ADR. The central reservation system has significantly increased the front-desk employees’ ability to spend more time personalizing their guest services. As a result, the three hotels that share the central reservation operation have consistently scored in the top 10 percent of all Promus hotels on two different measures of customer satisfaction.

Likewise, the Holiday Inn Express—Cripple Creek has recognized improvements in financial performance and customer satisfaction. Occupancy has jumped from a range of 55 to 60 percent to 76 to 80 percent, and its ADR is among the highest of all Holiday Inn Express hotels. In addition, the hotel has received Holiday Inn awards for guest satisfaction over each of the past four years and has received the Cripple Creek award for the best hotel operation each year as well.

The Pierre’s efforts to remix its business and focus on well-defined target markets have resulted in significant financial success, and based on its high retention rate, guest satisfaction is also enhanced. The Pierre reports that GOP has tripled, and ADR has increased by 7 to 11.5 percent in each of the past three years. Occupancy has increased from 70 percent in 1995 to 81 at the time of our writing (1998), and guest retention is hovering at 65 percent. Furthermore, room rates are near \$500 per night, and rack-rate business comprises 31 percent of total room revenues during the year.

Insights

Each of these sales-management champions recognized that they were forfeiting money because their sales function did not simultaneously provide the greatest profitability and customer satisfaction. As a result of that awareness they developed and implemented a variety of sales innovations. For those managers who are considering implementing similar practices, we offer the following insights garnered from the champions whom we studied. First, developing and implementing these best practices required hard work, analysis of much information, clear communication, and adequate development time. Depending on the practice, time requirements for study and implementation may range from three to 18 months. Second, managers should avoid initiating a new program during the hotel’s busiest season. Third, managers should remember that service to the guest is a critical factor. Hence, it is the responsibility of the sales force to identify what customers want and then help them satisfy those wants. Consequently, as so aptly stated by Richard Hanks, executive vice-president of sales for Marriott International, hotel salespeople must be “customer- and solutions-oriented business people.” Fourth, managers must carefully define their target markets and determine the best way to reach this customer set. Lastly, sales innovations should be undertaken only if they will effect a positive impact on yield and RevPAR.

Promotion

Promotion involves communicating directly with consumers to explain how the product’s features will provide the benefits the consumer is seeking.³ Promotional communica-

³ David W. Nylén, *Advertising: Planning, Implementation, and Control*, fourth ed. (Cincinnati: South-Western Publishing Co., 1993).

tion may take several forms, including advertising and sales promotion. Advertising is an organization's paid communication about a product or service. Sales promotion, on the other hand, provides incentives to the consumer to encourage the purchase of the product or service. The best practices in advertising and promotions were undertaken by the Farmington Inn, the Inn at Essex, Motel 6, Travelodge, Abbey Group Resorts, and Clarion Hotel-Comfort Inn & Suites (see Exhibit 2).

Only one of our best practice champions, the Farmington Inn, developed its outstanding promotional practice serendipitously—in this case, out of a desire to provide information to the guests about attractions in the surrounding area. Guests of the Farmington Inn frequently queried the staff about area attractions. To make this information readily available to all guests, Richard Bremkamp, director of sales and marketing, wanted to do something more special than the simple one-page typed sheet suggested by the general manager. Instead, to make the assignment interesting, Bremkamp developed a storybook, *The Farmington Lady*, that blends fact and fiction with photographs to introduce the reader to the Farmington Inn and the history of the surrounding area. Not incidentally, the story serves as a guide to Farmington's tourist attractions. The inn places the booklet on the pillow in each guest room so the guest can read about the local area. The book takes 30 to 40 minutes to read, and guests are free to take it with them.

Unlike the Farmington Inn's booklet, the best promotional practices for the remainder of our champions derived from the traditional need to create greater brand awareness and to develop an appealing image that would increase the brand's perceived value. For example, the opening of the Inn at Essex was

strained by numerous external problems: a general recession started; the inn was located on an unfinished highway and in a low-traffic area; and its advertising budget was almost nonexistent. With failure appearing imminent, Linda Seville, the inn's director of marketing, developed the idea for a "moving billboard." This advertising program wrapped a city bus in vinyl with a photograph that featured the inn's distinctive architectural style and conveyed a romantic, quintessential Vermont-country feel. One reason for advertising on this particular bus was that the route took it past competing hotel properties, as well as other downtown locations—thus providing much needed exposure for the inn.

Our next champion, Motel 6, introduced its now-legendary "we'll leave the light on for you" advertising campaign over a decade ago. Prior to that campaign, Motel 6 did not have a cohesive, chain-wide promotional program. The theme of the campaign was to emphasize Motel 6's low prices and value in a down-home, friendly, hospitable, no-frills presentation that would clearly identify Motel 6 as a major player in the budget market. To that end, Motel 6 retained Tom Bodett, a resident of Homer, Alaska, to deliver the message with his trademark brand of folksy humor. Although the ads' emphasis has evolved over time, the commercials have continued to feature their original folksy theme.

Travelodge is recognized as a best-practice champion because it created a guest-loyalty program, a practice rarely found in the budget-hotel segment, and focused it to reach two critical market segments—leisure guests and seniors. To begin with, Travelodge made it easy to join its frequent-guest program by developing a membership form that contains a detachable plastic ID card that could be used immediately. The remainder of the form could be

The best practices in marketing take many forms, but all focus first on customer needs.

completed at the guest's leisure. Moreover, loyalty awards began at a low threshold of just 250 points, meaning that a guest could participate in the program after only a three-night stay. When a guest reaches 750 points, Travelodge mails a membership card with the guest's name embossed in gold, which recognizes the guest as a Travelodge VIP. The VIP card allows the guest some special privileges, such as free local phone calls. Additionally, guests with at least 750 points periodically receive complimentary items, such as movie tickets, a road atlas, and a prepaid phone card. In conjunction with their loyalty program, Travelodge developed a catalog of items targeted to its selected markets, which can be purchased by redeeming Travelodge miles. The catalog is reviewed each year to keep it current and fresh.

Abbey Group Resorts developed a new twist on the stay-another-day concept by creating a new promotion labeled Return Special Value Program (RSVP). RSVP offers an incentive to meeting planners and convention planners to encourage their return as leisure guests. RSVP offers the meeting participant a future individual stay at the same hotel at whatever group rate the person paid. Abbey honors the group rate for one year from the date of the group function, subject to availability. Thus, the Abbey Group has created value for current customers, while enabling meeting planners to enhance their conference attendance (by offering another benefit to their clients).

Unlike our other champions, Miami's Clarion Hotel and Comfort Inn & Suites targeted its sales promotion to hotel employees. These two separate, but jointly managed hotels initiated a contest that motivated employees to actively prospect for sales leads. Called "Hot Leads in Miami," the contest encouraged

each of the two hotels' 80 staff members to submit to the sales office the name and contact information of any company the employees encountered in their travels. One enterprising employee sent in managers' names, business names, and phone numbers for every store located in a nearby shopping mall. Employees win prizes for those leads that the sales department follows up via telephone and sales calls.

Success of the Practices

Our respondents believe their practices have been successful—and they have diverse measures to prove that claim. The Farmington Inn storybook, for instance, was so popular that the booklet has been reprinted many times, for a total run of 10,000 copies. Moreover, author Bremkamp has written an additional booklet to encourage repeat business. For his clever idea, Bremkamp won the Connecticut Innovative Business award and the Stars of the Industry award.

The Inn at Essex's innovative moving billboard attracted considerable media attention, but more to the point, operators of motor coaches traveling in the area called the inn for information after seeing the bus billboard. As a result, group business grew 20 percent, and restaurant business increased by 15 percent as local residents also patronized the property. Because the bus traveled hundreds of miles per week, the inn received much more exposure than it would have from, say, a stationary billboard or other forms of advertising directed toward its target market. The inn eventually paid for wrapping a second bus to further broaden its market exposure.

The Motel 6 advertising campaign is the most decorated campaign in lodging history, garnering seven Clio awards, plus more than 100 other honors, including the Mercury and Galaxy awards. The

campaign has also been linked to increases in financial performance. Shortly after the campaign began, occupancy shot up eight points and stood at 66.5 percent as of this writing, with an ADR of \$37.50.

Travelodge can tout similar successes. The guest-loyalty program has helped Travelodge become one of the fastest growing of Cendant's brands. Furthermore, Travelodge Miles members stay longer, 2.1 nights compared to 1.7 nights, and pay a slightly higher room rate than do guests at competing brands.

Meeting planners have jumped on Abbey Group's RSVP program and emphasize that benefit in their promotional literature to encourage greater attendance at their events. Because the program allows the meeting planner to provide added value for meeting participants at no extra cost, the response from meeting planners has been favorable. While the program has only been in existence a short time at this writing, 50 guests have already taken advantage of this incentive. Furthermore, the additional business helps offset the costs of employing full-time, year-round employees in a steeply seasonal hotel.

The Clarion Hotel-Comfort Inn & Suites sales-lead contest produced 162 leads and a total of \$10,749 in traceable revenue in just a two-month period. Thus, it was also deemed quite successful. Additionally, the contest increased morale and generated excitement, especially among housekeeping and maintenance workers. Future contests are planned.

Insights

From these best practices, managers should appreciate that innovative promotional programs: (1) require spunky creativity, but not necessarily large budgets (as illustrated by the Farmington Inn and the Inn at Essex), and (2) examining the prac-

tices of hotels in other segments may provide the inspiration needed for a great idea. For example, loyalty programs have been relatively common in upscale hotels for years, but Travelodge was one of the first to adapt that concept to the budget sector.

For those managers seeking to develop their own innovative promotional campaigns, our champions offer the following advice. First, the storybook concept, the moving billboard, and even the guest-loyalty program can be implemented by any hotel operation. Ideas like these require only a little imagination and motivation. Second, the key to success is to convey as part of the message the experience sought by the target market. Third, it is important to create benchmarks and keep track of the results of the program. Fourth, you must identify what message can be efficiently communicated in a given advertising medium. For example, the Inn at Essex suggests the "40-40 rule"—devise a message that can be effectively conveyed on a 40-foot bus traveling at 40 miles per hour. Fifth, you must also determine the precise message you want to deliver and focus only on that message. Motel 6's success was based in a large part on its emphasis in conveying one specific factual message—that it is the lowest-priced national chain. Finally, remember that guest-loyalty programs must be easy to administer and not interfere with the guest's desire for a speedy check-in and check-out.

Channels and Other Key Areas

Although sales and promotion are important components of marketing, many other marketing factors must be successfully managed to develop an effective marketing strategy. The following champions have developed best practices that involve other key activities in marketing, ranging from channel relationships

to target marketing and product development.

Channel relationships.

Cendant Corporation's and US Franchise Systems' best practices both focused on improving relationships with franchisees. Cendant developed preferred-alliance agreements with a number of major U.S. corporations and then gave its franchisees the opportunity to purchase from these preferred vendors—resulting in substantial savings to the franchisee and revenue for Cendant. USFS developed a more equitable franchise agreement than is customarily found in the industry—prescribing lower transfer fees and tying liquidated damages to property performance. This "fair and reasonable" agreement is credited with fueling USFS's rapid growth.

Target marketing. Effective target marketing is the basis for the best practices of Holiday Inn Express—Helena and Knights Inn—Summerton. The Holiday Inn Express sought to attract the health-conscious guest, a natural target market since this property is located near a medical complex. Its managers made the hotel smoke-free and marketed the property as a healthy lodging choice. Moreover, because some of its guests may have stays of several days while waiting for family members to be discharged from the nearby hospital, the hotel has added many amenities not usually found in an economy hotel, including computer data ports, in-room coffee makers, hair dryers, irons and ironing boards, a fitness center, and a business center.

The Knights Inn, a budget property, developed a marketing program on a shoestring to counteract a weak local market. The property has developed its own mailing lists and successfully targets its services to fishing and golf enthusiasts to create demand in its impoverished market. Sales employees compiled the mail-

Managers should appreciate that innovative promotional programs require creativity, but not necessarily large budgets, and that examining the practices of hotels in other segments may provide the inspiration for a great idea.

Exhibit 4

Marriott's process for creating new brands

- *Define and research the competition within the appropriate segment.* What is Marriott's segment market share? Which chains are aging and vulnerable? What are Marriott's competitors' strategies and focus, likelihood of success, development activity, possible acquisition candidates, positioning, and product features?
- *Define and categorize existing and future market segments and the demographics of those segments.* Study future customer trends to identify unanswered gaps or needs not currently being addressed in the marketplace. Examples: full service, limited service, business vs. leisure, female travelers, suites (full and limited in-room amenities), short-term vs. long-term stays.
- *Identify the market segments that are aging and vulnerable (i.e., the segments that have the oldest and lowest valued properties).*
- *Determine how the new brand fits into Marriott's marketing structure and image.*
- *Conduct focus groups with consumers for suggestions and reactions.*
- *Determine interest in the new brand by existing and possible future franchisees.* They are included in the creative process, not only to generate enthusiasm for the end product, but also because of franchisees' ability to identify and react to changes in consumer behavior, bringing fresh insights to Marriott.
- *Determine rates of return through various indices used by investment constituencies.* Compare potential returns to other Marriott International brands and those of competitors.
- *Determine the acceptance of the new brand by the financial community, such as Wall Street, REITs, lenders, institutional investors, and individual investors.* If the brand or its market position is perceived unfavorably, as, for instance, the economy segment presently is (either rightly or wrongly), the brand will not succeed because of a lack of available funds to develop the properties.
- *Estimate potential market demand and share at different price points, determine the sources of business, and evaluate interaction with existing Marriott brands.*
- *Estimate eventual number of units and impact on earnings per share.*
- *Consider international growth potential.*
- *Consider how the new brand would fit into and affect future lodging products being contemplated by Marriott.*
- *Determine appropriate image of the new brand, including name, logo, and color scheme.*

ing lists from golfers playing at local courses, local fishing guides, local newspaper advertising, and the hotel's guest-history database. All told, the hotel mailed 10,000 advertising pieces to its pre-qualified list of sports enthusiasts in 11 southeastern states. In addition, because sports enthusiasts frequently want to get an early start, especially for fishing, the hotel extended its restaurant's hours to serve breakfast beginning at 5:00 AM.

Market research. Hyatt Hotels Corporation sought an objective and accurate measurement of guest satisfaction that would be meaningful and actionable at the hotel level, but would not be burdensome to Hyatt's guests. The company first determined which method of surveying would yield the highest response rate and then undertook an extensive qualitative study to determine which items to include on the survey. The company retained the Gallup Organization to conduct ongoing random phone surveys that take less than four minutes to complete. In addition to assessing overall satisfaction, the surveys examine a guest's likelihood to return to Hyatt and key drivers of satisfaction. Gallup sends guest-satisfaction data to general managers twice a week. Nearly 90 percent of guests contacted complete the survey.

Product development. Marriott International defined a 13-stage process (see Exhibit 4) for creating new brands because: (1) the company recognizes that the type of hotel used by a customer often depends on the occasion or purpose of travel, and (2) it wants to have a strong presence in most hotel segments. Marriott's leading edge in the creation, development, and marketing of brand-name properties has been largely fueled by this process, which determines the desirability and feasibility of creating a new brand of hotels.

Pricing. Swissôtel recognized a need for a process that could readily adjust rates according to weekly and seasonal demand for various market segments, but the company did not want the person pricing the room to be the one selling the room. Thus, Swissôtel created a high-level revenue-manager position at each hotel, who helps to maximize revenue in room sales by deciding the best price that may be obtained for the product—based on the date, the season, the day of the week, the competitive situation, and other factors. Working closely with the director of sales, the revenue manager sets the room rates for as long as several years into the future. The revenue manager's decision can be overruled only by the general manager.

Success of the Practices

Respondents could easily point to the success of their practices. Cendant estimates that its preferred alliances have resulted in substantial savings for franchisees. For example, an alliance with AT&T has resulted in cost reductions for franchisees ranging from \$3,000 to \$7,000 annually. The news is also good for the allied vendors. Cendant's slice of Pizza Hut's volume, for instance, now totals close to a million orders per year. Cendant also generates a small commission on allied-vendor sales. For instance, each hotel receives \$.75 for every Pizza Hut order delivered to the hotel or its guests.

USFS's franchise agreements, which strive to treat franchisees as partners, have resulted in phenomenal growth. At the end of September 1998, USFS had 902 properties open or under development in 49 U.S. states and six other countries.

Helena's Holiday Inn Express has received two quality-excellence awards and the chain's Torch Bearer Award for successfully meeting the

needs of its target market. The Knights Inn has had its own successes. By the third year of operation, the mailing-list program had generated \$180,000 in new revenue. Golf-group business is up substantially, and the fishing business that the hotel lured now accounts for an average of 10 rooms per night during the October to May season. Because of its linkage with fishing guides, the Knights Inn is now the host hotel for fishing tournaments that are sponsored by Mercury Engine and other major companies. The restaurant has captured additional customers because it is the only food outlet open early enough for the fishing groups (and anyone else who wants an early breakfast) in Summerton, South Carolina.

More than 200,000 guests have completed Hyatt's marketing survey since the end of 1995. As a result of the survey feedback, the volume of guests experiencing a problem with their stays has decreased by 30 percent, and the number of guests awarding a "top box" or five-point rating on the survey (out of five points) has increased by 8 percent.

Marriott's brand-creation process has resulted in the creation of such well-known chains as Courtyard, Fairfield Inns, and TownePlace Suites. More recently, this same process has been successfully applied to a rebranding strategy for the former Fairfield Suites, now known as SpringHill Suites. Finally, Swissôtel's revenue-management system has resulted in occupancies approaching 85 percent and ADRs of \$210 in season and \$160 in soft periods—excellent performance even in light of the strength of the New York City market in 1998.

Insights

These practices illustrate some of the myriad methods by which firms may apply the marketing process to meet the needs of the customer while

providing a profit to the company. The following are some insights offered by our respondents on their practices. First, these practices can be adopted by any hotel company. For example, a preferred-vendor program could be used by any hotel company with a sufficient number of properties to provide the leverage needed in negotiations with large corporations, while small hotel companies could negotiate agreements with regional vendors. In addition, any hotel can have an effective guest-satisfaction program by proactively soliciting guest feedback and documenting all guest complaints. Second, managers' focus should be on RevPAR, rather than ADR, as a measure of success. Third, the customer ultimately sets the room rate. It is the manager's job to ensure that the rate provides intrinsic value to the customer and dollar maximization to the hotel. Fourth, in considering a new brand, ensure that all the implementation steps in the brand-creation process are complete and that franchisee or customer support is in place. Sixth, recognize the delicate balance between guest satisfaction and investment in the product, and lastly, think outside the box. Do not be constrained by old paradigms, for nothing is impossible.

In conclusion, the 20 best-practice champions that we have featured in this article have devised a wide variety of programs and approaches with the purpose of creating value for the customer and the hotel. In a competitive environment, a customer-focused and innovative approach to marketing is essential. As these champions' stories illustrate, some ideas are simple and inexpensive to execute, while others require substantial investments and take time to implement. It is our hope that the marketing practices described herein will spark others to experiment and enhance their marketing efforts. **CQ**