1-20-2006

Assessing the Efficacy of Guest Loyalty Programs in the Hotel Industry: A Case Study of Kimpton Hotels

Keith Brophy
University of New Orleans

ASSESSING THE EFFICACY OF GUEST LOYALTY PROGRAMS IN THE HOTEL
INDUSTRY:
A CASE STUDY OF KIMPTON HOTELS

A Thesis

Submitted to the Graduate Faculty of the
University of New Orleans
in partial fulfillment of the
requirements for the degree of

Masters of Science
in
Hotel and Tourism Management

by

Keith Brophy

B.A. Empire State College, 1998

December 2005

ACKNOWLEDGMENTS

TABLE OF CONTENTS

ABSTRACT

Since 2004, several small hotel chains have introduced guest loyalty programs in order to give their guests "big chain perks" while keeping a boutique identity. Recent studies have raised concerns that loyalty programs do not create brand loyalty. By looking at Kimpton Hotel's recently introduced program, *Kimpton InTouch*, this study examines the potential for operationalizing guest loyalty programs in a small boutique hotel chain setting. The study utilizes guest information gathered through customer surveys and reviews guest visits and spending patterns to see if there is any indication that loyal behavior exists amongst members of the *Kimpton InTouch*. This study demonstrates that frequent stay programs serve as a valuable asset in a hotel's ability to nurture a relationship with its membership and increase the overall awareness of its brand in the marketplace.

CHAPTER ONE: INTRODUCTION AND PURPOSE OF STUDY

Consumers often become more loyal to the perks of loyalty programs than to the entities that offer them. A study completed by the U.S Travel Date Center discovered that only two percent of business travelers consider guest loyalty programs (GLPs) important when choosing hotel accommodations (McCleary & Weaver, 1991). Despite these findings, hoteliers continue to operate guest loyalty programs and introduce new ones. Existing GLPs are predominantly built on well-established and widely recognized brands, but not all companies that have guest loyalty programs have recognizable brands. Since 2004, several small hotel chains, including Leading Hotels of the World, Preferred Hotel Group, Small Luxury Hotels, Relais and Chateaux, and Kimpton Hotels, have introduced guest loyalty programs in an effort to give guests "big chain perks" while keeping their boutique identity (Johnson, 2005).

Kimpton InTouch, the GLP unveiled by Kimpton Hotels in 2004, became the first guest loyalty program in the industry to offer both unique guest recognition and redeemable rewards. The goal of *Kimpton InTouch* was to aide in expanding the Kimpton brand identity. This study examines *Kimpton InTouch* and the impact this GLP has on moving guests from unaware consumers to loyal customers. This study will evaluate how successful the program was in its initial year by comparing the guest satisfaction scores of program members to guests not in the program and the likelihood of these guests to recommend the hotel and return to other Kimpton hotels. In addition, there will be a review of brand awareness amongst different types of guests in an attempt to measure the differences among them.

For the purpose of this study, the *Kimpton InTouch* program data is used to segment guests by the different levels of participation in this GLP and analyze each group's patterns. It is

not the intention of this study to demonstrate that *Kimpton InTouch* has any causal impact on building loyalty but that *Kimpton InTouch* members demonstrate more of the accepted attributes of loyal behavior than other guest types that are not members of the program. These results may provide a potential model for how similar boutique hotel companies may expand their brand and grow market share through the use of Customer Relationship Management techniques, especially within a customized rewards program.

CHAPTER TWO: LITERATURE REVIEW

2.1   Guest Loyalty Programs in the Lodging Industry

The psychological ties a customer creates between himself and a brand leads to repeat purchasing behavior. This repeated behavior is called "brand loyalty" and was a vital element in Kimpton's strategy of growth. A "high level of customer loyalty is an essential driver of brand leadership" (Hallberg, 2004), and brand perceptions influence a customer's commitment to the brand (Verhoef, 2003), which can ultimately leads to brand loyalty. Customers demonstrate brand loyalty when they display a pattern of repeat purchase behavior regardless of outside influences (Gournaris, 2004; Tucker, 1964).

Loyalty to a product is a vital element to the long-term survival of a product for several reasons. Brand loyalty is characterized as an "unbiased behavioral response expressed over time by some decision-making unit with respect to one or more alternative brands" (Wood, 2004). As previously mentioned, a brand loyal customer usually has a positive attitude about the brand and will continue to purchase the product over a long period of time and across various service lines (Reicheld, 1993). Brand loyal customers are resistant to discounts and promotions from competitors (Stum and Thiry, 1991), and a brand that has a strong, loyal customer base also has an advantage in getting its product into the distribution channels (Gournaris, 2004). Loyal customers often share their positive attitude about the product with others, allowing the company to reduce marketing costs because their customers sell the product for them (Wood, 2004).

2.2   Customer Relationship Management

Customer Relationship Management (CRM) is gaining importance in today's business world because its main purpose is to build trust between the buyer and seller. CRM is mainly concerned with establishing lines of communication that allow the seller to keep pace with the needs of the customer and track that customer's performance along his customer life cycle.

Through CRM, businesses aim to facilitate a long-term relationship with their customers. By identifying the individual needs of each customer and responding to such needs on a consistent basis, CRM allows businesses to better anticipate and react to the customer's needs (Piccolli, O'Connor, Capaccioli & Alvarez 2003). In the hospitality industry, CRM is allow hotels to take a more discerning look at what each guest is looking for – what want beyond the room with a bed at a fair rate. By learning what amenities and services are valued by their clientele, hotels can better satisfy their guests' personal needs. CRM also allows hotels to identify its product and service strengths and weaknesses, enabling them to react or restructure accordingly. Companies using CRM can better allocate resources to respond to a customer's needs (Reinartz, Krafft & Hoyer 2004), and responding to a customer's needs on an individual basis aids in building a relationship with him, which leads to brand loyal behavior.

Adopting a CRM style can also offset traditional marketing costs. Managers who successfully build relationships with their clients use less costly recovery tactics to regain lost customers. Up-selling and cross promoting products becomes easier, as managers know what the clients needs are and can readily customize an approach to sell their product. Since CRM allows businesses to gather useful data on customers spending patterns, businesses can readily see when a customer's productivity is slowing. This allows the business the option of choosing

to terminate the relationship or reallocate marketing resources away from this customer to be redirected toward customers with greater profit potential (Reinartz, Krafft & Hoyer 2004).

2.3   Loyalty Programs as an Aspect of CRM

A brand is not always able to establish a relationship simply on its own merits. One of the most readily recognizable CRM tools in the hotel industry is the guest loyalty program (GLP). Through Customer Relationship Management, GLPs provide companies the opportunity to operationalize their brand promise and ensure that they are meeting each guest's needs (Hallberg, 2004). A program that is designed to build effective relationships and recognize customers as individuals "may be the most cost effective method of helping a brand move up the brand hierarchy of brand leadership" (Hallberg, 2004).

Guest loyalty programs aid in effectively building relationships by allowing hotels to connect on a personal level with the guest (Barsky & Nash, 2002). Members of programs often receive special perks and benefits that non-member guests do not receive, such as Hyatt's express check-in, Wyndham's waiving of incidental fees like local telephone calls and fax service charges, Marriott's added frequent flier miles. Members who demonstrate a continued pattern of loyalty are often rewarded even further by elevation to an elite level where they receive additional benefits such as room type upgrades and complimentary stays. GLPs allow businesses to address various personal needs and preferences of their customers without altering their product (Hallberg, 2004).

In addition to preferential treatment, members of GLPs also perceive that they are receiving better quality and service for the price (Bolton, Kannan & Bramlett, 2000). This allows hotels to promote added value to their loyal customers through membership in the GLP.

As price is often the primary decision factor in hotel selection, this added value benefit allows hotels to lure new and repeat customers without sacrificing rate integrity (Bolton, Kannan & Bramlett, 2000).

Through proper monitoring and evaluation, businesses can use their GLPs to identify their most frequent and highest-spending clients. Businesses communicate with these valued customers to ensure that they are providing, on a consistent basis, the type of products and services these customers demand, yet the intent of such communication is not only to ensure guest satisfaction: it is also to enable the business to position itself to attract more customers like them, with similar priorities and spending habits. When companies want to make policy changes, present new products, or find new ways to improve existing services, they often speak with focus groups consisting of these top clients. Insight from frequent customers can have a tremendous impact on creating policies and procedures that keep the company in line with both the guests' expectations and the brand philosophy.

Before creating *Kimpton InTouch*, Kimpton Hotels had already created a unique product. From the first moment a guest walks into a Kimpton hotel, he knows this hotel experience will be unlike any other; there is an instant emotional connection between the guest and hotel, and it was this emotional connection that made every individual Kimpton hotel successful in its own market. The problem with this individualized success was that guests were connected to their favorite single property and not to Kimpton as a whole. Many guests -- even frequent guests at the elite level -- were unaware of other Kimpton properties, that Kimpton properties were located in cities that these guests frequently traveled to, and that other hotels guests had previously visited were also Kimpton properties. It was Kimpton's goal through *InTouch* to cross-promote every hotel and to establish the identity of Kimpton above that of their individual identities.

2.4   Industry Criticism of Guest Loyalty Programs

A well crafted GLP with a strong customer relationship philosophy at its core should be designed to keep the customers' needs in mind at all times and to aid in creating and sustaining emotional connections with the guest; however, since the inception of customer loyalty programs, there have been many studies presented and articles publish that question the validity and practicality of these programs. A study completed by the U.S Travel Date Center discovered that only two percent of business travelers consider GLPs important when choosing hotel accommodations (McCleary & Weaver, 1991)

In an effort to keep with the competition, many hotels have introduced GLPs to stimulate loyalty only to find that since the company does not have properties in locations that are frequented by their clientele, they are running a wasteful endeavor. .In several cases, administration costs are as high as three to five percent of the annual revenue of the operator (Toh, Rivers and Withiam, 1991) Recent academic studies argue that any increase in revenues created from GLPs are lost either through issuing the rewards or through the operational costs to administer and maintain the programs. In his review or frequent flyer programs in 1990, Terrence Kearney (1999) laid out a lengthy list of operational challenges to airlines operating a GLP. Included in these was that the rewards generated from these programs may be treated as taxable income and therefore inflates the operating costs of the program. In addition, he proposed that these programs degraded the relationship between travel agents and the airlines by giving added rewards and benefits to travelers who book direct with the airline rather than using an agency's service. In a 2002 market research study, Reinartz and Kumar found no empirical evidence to support that frequent customers are any less costly to service than less frequent guests. They found that frequent buyers become more familiar with pricing and operational

procedures and eventually become more price-sensitive buyers. Reinartz and Kumar determined that while members of GLPs appreciate the value of their product, they are less likely to purchase at a higher price without sufficient justification or motivation (Reinartz & Kumar, 2002).

Loyalty programs do have the potential to extend the customer life cycle by helping make customers aware of the full range of the services provided by a hotel (Reinartz & Hoyer 2004); however, low levels of customer satisfaction can result from high levels of purchase through the exposure to various services. This exposure to additional purchases may highlight shortcomings and failings that lead to disappointment and eventually reduce loyalty.

Skogland and Siguaw argue that just because guests are repeat customers, they are not necessarily satisfied customers (2004). They say that repeat guests would quickly leave for another option should a competitive choice become available. These may be customers who continue to stay at a property simply because the hotel has a special negotiated rate with the guest's employer or may continually fly a certain airline because it has the most flight options to their destination. As this may be the case, should a competitor offer a comparable product at a comparable price, this so-called "loyal" customer would quickly defect: forty percent of customers who claimed to be satisfied, switched to a competitor without looking back (Stum and Thiry, 1991).

Additional articles speak to GLPs' inability to garner real loyalty. For example, one study reports that nineteen percent of Hilton HHonors members surveyed said they would not have chosen to stay at the Hilton if it did not have a program (Watkins, 1989). These travelers "take advantage" of reward programs by earning upgrades and complimentary benefits. On the surface, they appear to be happy, loyal customers; however, in actuality, they are neither loyal

nor satisfied (Bolton, Kannan & Bramlett, 2000). While this speaks more to the corporate culture not being in-line with the guests needs, it does raise the question of why keep programs active if they are not working.

Members of GLPs also have the potential to become loyal to the program and not the product or brand (Dowling & Uncles, 1997). Without a hotel developing a true understanding of the customer's wants and deeds with a goal of developing a continual relationship with that customer, many businesses quickly find that the "relationship between loyalty and profitability is much weaker than proponents claim" (Reinartz & Kumar, 2002). Guests often become more loyal to the incentives of the programs rather than to the entities offering them.

It is a reasonable assumption that customers who are loyal to one brand are loyal to others. It is not uncommon for travelers to be members of more than one GLP. Sixty percent of frequent flyer members belong to three or more airlines' frequent flyer programs (Hallberg, 2004). In the hospitality industry, this practice is acceptable because not every airline goes to every destination, and there is not always a hotel of choice in every city; however, this multi-membership has led to the creation of a customer base that looks to manipulate every program for their own personal needs. These guests are not loyal to any one product, and their membership is not based on loyalty. A guest loyalty program that does not have as its primary focus on building lasting relationship with their guests is likely to generate repeat purchase but not true loyalty. Repeat purchasers are quick to try new products and are quick to stop buying the product they were previously using (Baldinger & Rubinson, 1996), whereas loyal guests are slow to try new products and slow to discontinue buying.

Guest loyalty programs allow brands to differentiate themselves from other hotels through their ability to offer rewards and amenities that may be different from the competition

9

(Wright & Sparks, 1999). It was Kimpton's belief that many of their repeat guests would be converted to loyal *InTouch* members as they became more familiar with the product. In the case of these guests, many may have had repeat visits but have had not had the opportunity to join the program or were unaware of its existence prior to their visits. Kimpton recognized many of the *InTouch* members may never develop into loyal customers and will simply be barnacles trying to milk the program for whatever benefits they can get before moving on. The strategy adopted in utilizing their program is a belief that all members are equal in their potential and that Kimpton's primary intention is to continue to maintain open lines of communication with their members. It is Kimpton's belief that this will allow them to continue to stay on top of the guest's needs and specify which guests to court and which guests to sever ties.

2.5   Kimpton's CRM Operations

Prior to 2004, Kimpton Hotels promoted itself as a "brand of one," highlighting the individualized style and unique personality of each of their thirty-seven properties while operating under one umbrella. In January 2004, Kimpton began a campaign to brand their image and promote all of their hotels as one brand – the Kimpton brand. Kimpton also changed their marketing tactics, designed a new logo (Figure 1), and underwent an extensive staff retraining in effort to promote their new identity.

Figure 1   Kimpton Brand Logo

Kimpton *Early Logo*   **Kimpton *Logo Today***

Introduced in 2004, *Kimpton InTouch* became the first guest loyalty program in the hotel industry to offer both unique guest recognition and redeemable rewards. *Kimpton InTouch* differentiated Kimpton from the competition by offering personalized recognition and unique rewards through the Kimpton Life program. Reward levels were organized and communicated with the first reward threshold set at seven visits or fifteen room-nights per calendar year. Frequent guests were elevated to the elite level, the *Inner Circle*, after fifteen visits or forty-five room-nights per year. Kimpton intentionally positioned these thresholds below those of the top competitive programs with the intention of making the program more enticing to program players and to make the program competitive from its beginning

Kimpton had adopted a CRM focus before developing *InTouch*. The company had tracked their guests using a Personal Booking Code. Originally, Kimpton had attempted to utilize personalized codes rather than assigning numbers to guests. Their intention was to send the message that (a) Kimpton is taking a personal interest in their guests, and (b) the guest is viewed by Kimpton as more than just a number. However, tracking methods and technology integration proved challenging and resulted in numerous errors. To ensure guest record accuracy, Kimpton conceded to adopting numbers while maintaining the more intimate

terminology. As a result, Kimpton refers to and markets the *InTouch* membership identification number as a Personal Booking Code, a carry-over from their pre-GLP days.

In addition to receiving Personal Booking Codes, *Kimpton InTouch* members are asked to indicate their room preferences, including bed type, pillow type, their preference of morning paper, smoking or non-smoking, and other requests related to room preference such as proximity to elevator or on a high or low floor. Upon registering this information during enrollment, Kimpton guarantees that *Kimpton InTouch* members will receive the room that best matches their preferences at the best of the property's ability. Exceptions are made, for example, when a guest indicates a preference for a room with a balcony and the property does not have balconies. Upon check-in, all *InTouch* members receive personalized greetings, ranging from handwritten notes from staff members to customized amenities placed in the room during their stay. Every property is encouraged to deliver unique, creative, and varied amenities, inspired by the local flavor. Every *Kimpton InTouch* member receives an amenity, regardless of their status within the program. *Inner Circle* members receive further acknowledgement by receiving complimentary room upgrades, more personalized and costlier amenities, and VIP recognition in Kimpton restaurants.

To ensure that each hotel has the proper information and tools necessary to fulfill their program promises, Kimpton use the CRM program called Guestware® at every Kimpton property. Guestware® maintains guest visit histories, keeping track of visit counts, length of stays, revenue per visits including food and beverage purchases and miscellaneous incidental revenues. In addition, Guestware® maintains information pertaining to guest preferences, special requests, and any service related incidents experienced during a visit. This information

can be shared with every property allowing a seamless experience for members at any hotel across the country.

Guestware® is an enterprise system that works in tandem with the central reservation system and the hotel's property management system. Guestware® gathers its revenue information based on daily arrival and departure reports created by the PMS and transfers it during the night audit. The rate and visit information is transmitted from the properties to a centralized database where it is warehoused for future retrieval.

In addition to using Guestware® at every property, Kimpton also began utilizing an electronic guest comment card system. To accomplish this task, Kimpton turned to Sterling Research Group, a company with fifteen years of survey-gathering experience in the hospitality industry. This survey process involves sending an e-mail invitation upon check-out to guests with an e-mail address in their folio. E-mail addresses are requested of the guest by reservation agents when making the reservation and by guest service agents at arrival and departure. As a guest checks out, a departure file is created by Guestware® and transferred to Sterling's comment card system, and within twenty-four hours of departure, an e-mail is sent to the guest thanking him for his stay and inviting him to offer feedback on the quality of his visit. Within the e-mail is a link to an electronic comment card to complete. No incentive is offered to guests to complete the survey, and no agent of the hotels handles the responses; thus, there is no opportunity for hoteliers to influence their own scores. The sample size for the survey in this study was over 28,000 responses in the 2004 calendar year, and twenty to twenty-five percent of the survey invitations were responded to in each quarter.

This process of surveying guests assists Kimpton in generating return visits. The information received from the electronic comment cards is maintained in the Sterling warehouse

indefinitely, potentially, even beyond the life cycle of the customer. It is Kimpton's plan to develop an interface that allows the guest survey responses from Sterling to be attached directly to the guest personal profile in Guestware®. This integration has the potential to become a highly useful tool for properties as they monitor the successes and failures of servicing individual guests over time. Due to the timeliness that Kimpton managers respond to dissatisfied guests, many have not only returned to Kimpton Hotels but have also enrolled in *Kimpton InTouch*. Used in partnership, the Sterling electronic guest satisfaction surveys and *Kimpton InTouch* through the utilization of Guestware®, have the potential to create long-term relationships with guests who feel appreciated, recognized, and valued.

CHAPTER THREE: METHODOLOGY

The purpose of this study is to look at the influence a GLP has on increasing brand recognition. To do to that, it is necessary to first look at whether the GLP is successfully recognizing guests that demonstrate loyal behavior and building relationships with such guests. For the purpose of the study, the *Kimpton InTouch* program is the method of isolating various guest types and analyzing their separate patterns. Since the focus of this study is to determine if members in the program are demonstrating the accepted attributes associated with loyal behavior at a higher level than any other guest type, the GLP is viewed ultimately as a method for filtering guests and analyzing the ability of Kimpton to build relationships over time. It is first necessary to demonstrate that loyalty exists, and then through the execution of the loyalty program, to look at whether or not there is an increase in brand awareness among Kimpton's guests.

Hypothesis 1 *Kimpton InTouch* **members exhibit loyalty to Kimpton**

Through the data gathered through Guestware®, it will be necessary to demonstrate that members of Kimpton's guest loyalty program are loyal to the Kimpton brand. The extent of guests' involvement in the program will indicate to what degree Kimpton is increasing their brand recognition. To accomplish this, it will be necessary to demonstrate that guests are demonstrating the behaviors associated with loyal customers such as greater satisfaction, insensitivity to price changes, promotion of the brand and higher likelihood of repeat purchase. This will require looking at sub-hypotheses to answer additional questions.

Hypothesis 1A: *Kimpton InTouch* members exhibit greater perceived value for the price paid than guests who are non-members.

Hypothesis 1B: *Kimpton InTouch* members are more likely to use less costly

reservation booking methods than non-members.

Hypothesis 1C: *Kimpton InTouch* members demonstrate greater customer

satisfaction than guests who are not members of the program.

Upon reviewing the results from these studies, it is predicted that there will be evidence to

support that members of the *Kimpton InTouch* program are indeed demonstrating loyal behavior.

There is also potential to examine whether or not there is growth in brand usage by those who

demonstrate loyalty to the brand. The findings from these studies will allow the opportunity to

address another question of study:

Hypothesis 2   ***Kimpton InTouch* increases brand recognition amongst both members**

and non members

It is necessary to address additional questions to support the argument stated in the

hypothesis. Additional sub-hypothesis for Hypotheses Two include:

Hypothesis 2A   *Kimpton InTouch* members are more willing to promote the Kimpton

brand through word of mouth recommendations than non-members.

Hypothesis 2B   Members of *Kimpton InTouch* have a greater awareness of the

Kimpton brand than non-members

3.1   Definitions

For the purpose of this study, the following definitions will be used. *Loyalty* is defined as

"a deeply held commitment to re-buy or patronize a preferred product or service consistently in

the future, thereby causing repetitive same brand-set purchasing, despite situational influences

16

and marketing efforts having the potential to cause switching behavior" (Skogland & Siguaw, 2004).

Brand awareness is defined as "a rudimentary level of brand knowledge involving, at least, recognition of the brand name" and recognition is defined as "the process of receiving a brand as previously encountered" (Hoyer & Brown, 1990). Brand recognition does not require brand purchase.

3.2   Instrumentation, Data Collection, and Statistical Analysis

3.2.1   Guest Satisfaction Survey

Secondary data gathered through responses to Kimpton Hotels' guest satisfaction survey program will be used. This program was developed and managed with assistance from Sterling Research Center. The statistics were broken down into four different categories of guests: First time guest, Return guest (non-*InTouch* members), *InTouch* members, and *Inner Circle* members, *Kimpton InTouch*'s elite level. According to Kimpton, it was not their intention to model their four guest groups after the different loyalty types discussed in previous studies (Baloglu, 2002;Reinartz & Kumar, 2002); nevertheless, Kimpton's *Inner Circle* members do reflect the attributes of Reinartz and Kumar's "True Friends" as customers who have established a pattern of loyalty with the overall volume of repeat purchases they have made. The *Inner Circle* / "True Friends" have the highest profit potential and are the guests that are the most highly monitored members to evaluate their position in the customer life cycle. *Kimpton InTouch* members are similar to Reinartz and Kumar's "Butterflies," showing a desired interest in the product by taking the time to join the program and utilize the program for their own needs. The long-term profitability of these guests, while vital to the program and to Kimpton's plan for growth, still

17

remains to be seen. These "Repeat guests" are the guests recognized by Kimpton's PMS and Guestware® systems as having stayed with Kimpton hotels before, but they have not enrolled in *Kimpton InTouch* at the time of their stay. These guests may be demonstrating "loyalty by convenience," by continually using a Kimpton Hotel at a negotiated corporate rate, and less brand loyalty. Finally, the first-time guests, as the name demonstrates, have never experienced a Kimpton Hotel and are assumed strangers to both the product and the brand.

The guest satisfaction surveys used are self-adjusting questionnaires that rate the quality of the guests experience on a Five-Point Likert-style scale, with one being "Poor" and five being "Excellent." The questions focus on the guest's satisfaction with their overall stay, appearance and condition of the hotel, room product quality, comfort and cleanliness, employee friendliness, and a series of other service related matters. Guests answer the questions, and for any question scoring a four or higher, the questionnaire moves onto the next question. If the guests score a question three or less, the questionnaire leads the guest through a series of questions that asks for specific disappointing incidents and requests direct feedback, thus adapting to the responses and ensuring a deeper understanding of the guest's sentiments. The surveys vary depending on how the guest falls into one of the four previous mentioned categories. First time guests and return guests (non *InTouch*) are asked questions related to whether or not they were informed of the program and invited to join. *InTouch* and *Inner Circle* members are asked if they were welcomed back to Kimpton and if they received the amenities promised to them as members of the program. These questions help the corporate office determine whether or not the program is being promoted by the staff at every property. A sample survey is attached as Appendix I. The sample labeled "Primary Data Source Collection Tool" illustrates the survey as it was presented to guests who accepted the e-mail invitation.

For **Hypothesis 1** to be validated, *InTouch* members must score higher with regards to overall satisfaction and willingness to return to the property, rate higher for overall value for experience, and indicate a greater value for revenue spent during their visit than non-program guests.

For **Hypothesis 2** to be validated, *InTouch* members must demonstrate a higher likelihood to recommend the hotel to their friends and colleagues, a greater willingness to experience other Kimpton Hotels, and an increase in the number of guests who frequent more than one hotel. In addition, a review of the responses to the guests when asked "Before your recent stay here, were you aware that this was a Kimpton Hotel?" will indicate the influence on Kimpton's CRM efforts. If Kimpton's techniques were successful, there should be a reduction over time in the guests that were unaware that the hotel was a Kimpton Hotel. This particular question was added to the surveys in October; thus there is not the same length of data to review as other questions. However, as Kimpton's branding efforts were not at full force earlier in the year, this should give a reasonable appreciation of the impact their efforts had on guests by the end of the year.

3.2.2   Guestware®

Secondary data was gathered from the *Kimpton InTouch* database, and managed by Guestware®. Using the visit history information compiled by Guestware®, a report was compiled that showed the number of Kimpton Hotel properties each guest has visited during the period of study. The *Inner Circle* members were separated out form the *Kimpton InTouch* members to allow for comparison between those who had demonstrated a continued pattern of

loyalty and those who were new to the program. This information will be utilized when looking at the growth of the brand usage amongst the *Kimpton InTouch* members.

3.3   Hypothesis 1   *Kimpton InTouch* members exhibit loyalty to Kimpton

If Hypothesis 1A is correct, then *Kimpton InTouch* members will have a higher response rating to the question "How would you rate the overall value of the price paid?" We will review the responses to this question to ascertain how well Kimpton is meeting the expectations of their guests and positively rewarding them for the purchase behavior. As discussed in the literature review, guests who feel that they are rewarded in some manner for the purchase are more prone to repeat purchase and to develop loyalty. Because over half (fifty-three percent) of the guests surveyed were traveling for leisure and spending their own money, this perception weighs heavily in their decision to return to either the same property or to try a new property within the brand. This perception has the potential to ultimately lead to loyalty. When asked to rate their impression of the overall value for the price paid, *InTouch* and *Inner Circle* members should continually score higher than non-members, showing an insensitivity to price and supporting that program guests feel they are receiving certain benefits over non-members.

For Hypothesis 1B, data was collected with regards to how guests made their reservation. The responses should reflect the impact of Kimpton's efforts to develop relationships with their guests by showing an increase in the number of reservations booked directly through Kimpton and a reduction in other impersonal booking methods. This will support the argument that *InTouch* members are less costly to serve because reservations booked directly do not have the same costs associated with travel agent commissions or revenues lost to discount websites such as Hotels.com and Expedia.com. For a guest who reserves a commissionable corporate rate

through the hotel directly and not through the corporate travel office, the hotels can retain the ten

percent commission due to the booking agent. In addition, through Kimpton CRM's tactics there

should be an increase in the number of guests reserving directly through the hotels own website:

this is the most efficient method for the guest to reserve a room and the most cost effective

means for the hotel. Any increase in this booking method will support the argument that

InTouch rooms are less costly to reserve, reducing the overall costs to serve *InTouch* guests.

To measure Hypothesis 1B, the survey data was tested reviewing the responses for the

question "How was your reservation made?" The guests were given eight booking options: (1)

through the Kimpton website, (2) through the Kimpton 1-800 number, (3) using a travel agent,

(4) using a corporate travel planner, (5) through an administrative assistant, (6) through an online

website such as Expedia or Travelocity, (7) direct with the hotel, and (8) other. *Inner Circle*

members were also asked if they used the special *Inner Circle* VIP Line. The responses were

then pooled into two categories separating the reservation methods by which were less costly and

which were more costly to Kimpton operations. The less expensive options were booking

through the hotel website (the least expensive overall), booking through the hotel direct, using

the Kimpton 1-800 #, and the *Inner Circle* VIP Line. Each of these has the same cost of service

as the inventory is maintained through Kimpton's reservation network. The reservations with the

higher cost of service were through a travel agent, through a corporate planner, through an

administrative assistant, through a third party website, and other. Reservations reserved through

travel planners or travel agents have the same cost per reservation as reservations booked directly

with Kimpton, but they also have the additional costs associated with them such as GDS fees and

commissions. Third party websites have higher costs than agent commissions, and

administrative assistants were categorized as higher cost because while there is not necessarily a

way to track how these assistants book reservations, there is the additional marketing and promotion costs associated with promoting Kimpton to them. Finally, under "other," there is no method for tracking how these guests booked though it is clear that they did not book through the least expensive option, namely the website; therefore, there would be some additional marketing costs to make these guests aware of the hotel.

For Hypothesis 1C, the results of the satisfaction survey were once again utilized. *InTouch* member should score higher than those not enrolled in the program in their willingness to repurchase a Kimpton product, as well as the overall guest satisfaction. The average scores of the questions, "How would you rate your overall satisfaction", "How likely are you to stay with us if you are in the area again?" and "How will your stay with us influence your decision to stay at other Kimpton Hotels in the future?" should also be higher than first time guests. Should the findings support the hypotheses, when paired with the previously accepted literature, this provides sufficient evidence to accept Hypothesis 1.

3.4   Hypothesis 2: *Kimpton InTouch* increases brand recognition among both members and non members

In order to address Hypothesis 2A, survey results were utilized and reviewed. Responses to the question "How likely are you to recommend this hotel to a friend or colleague planning to visit the area" were compared by guest type. It is predicted that there will be a high percentage of guests within *Kimpton InTouch* that feel positively about their experience and will score a higher likelihood of recommending the brand to associates. This will support the hypothesis that guest loyalty members support the brand through word of mouth promotion.

For Hypothesis 2B, data from Guestware® was collected to review the number of guests who visited multiple properties. It is predicted that there will be an increase over time in the number of guests who experience more than one Kimpton property. This will weigh the success of Kimpton's efforts to promote both loyalty and brand recognition.

Finally, we will review the response to the question, "Before your recent stay, were you aware that the hotel was a Kimpton Hotel?" It is predicted that there will be an increase in the number of respondents who were aware that the hotel was a Kimpton hotel, regardless of whether they were a member or not. The results of this response will support acceptance of Hypothesis 2 and reflect Kimpton's ability to increase the brand identity. It will give indication of Kimpton's *InTouch* ability to raise brand awareness.

CHAPTER FOUR: RESULTS

4.1   Hypothesis 1A: *Kimpton InTouch* members exhibit greater perceived value for the price paid than non-members.

The data analysis reveals evidence to support that members of the *Kimpton InTouch* program appear to exhibit a higher perceived value for price paid than those guests staying for the first time. The survey used a Likert scale rating with 1= Very Dissatisfied and 5=Very Satisfied in response to the question, "How would you rate your overall value for price paid?"

A review of Table 1A shows that the *Inner Circle* group had the highest mean average score of 4.46, followed by *InTouch* members at 4.16. These are higher averages than the Repeat Guests (4.08) and First-Stay Guests (4.03). In this study, *Inner Circle* members indicated having the highest satisfaction, scoring above *Kimpton InTouch*, Repeat Guests, and First Stay Guests. *Kimpton InTouch* members who are not at the elite *Inner Circle* level, scored higher than First Stay Guests. Repeat Guests, those who had stayed before and returned to the property but were not members of *Kimpton InTouch*, had a higher mean rating than First Stay Guests. Therefore, there is evidence to support the validation of Hypothesis 1A, stating that *Kimpton InTouch* members exhibit a greater perceived value for the price paid than non-members.

Table 1

Mean score for "How would you rate your overall value for price paid?" by guest type

	N	Mean	Std. Deviation	Std. Error	Lower Bound	Upper Bound	Min	Max
Inner Circle	111	4.46	0.698	0.066	4.33	4.59	3.00	5.00
InTouch	7182	4.16	0.957	0.011	4.14	4.18	1.00	5.00
Repeat Guest	835	4.08	0.953	0.033	4.01	4.14	1.00	5.00
First Stay	13759	4.03	1.051	0.009	4.01	4.04	1.00	5.00
Total	21887	4.07	1.018	0.007	4.06	4.09	1.00	5.00

5= Very Satisfied   1=Not at all satisfied

As Reicheld wrote in his study, brand loyal customers have a positive impression of the brand, and this perception is important in the establishment of loyalty. The perception of better value for the price is a potential indicator that these guests would be resistant to promotions or other discounts offered by competitive brands. This behavior is also associated with loyalty (Stum and Thiry, 1991), thus supporting the hypothesis that members of *Kimpton InTouch* are developing loyalty to the Kimpton brand.

As part of their *Kimpton InTouch* membership, guests receive personalized recognition of various levels, ranging from a simple greeting, such as "Welcome back," to having customized amenities delivered to their room during their stay. These services are often indicated to be among the reasons guests enjoy their stay and are willing to return. Many of Kimpton's most frequent guests travel on business, and they are often exposed to other brands in the markets where Kimpton does not have properties. These guests may recognize other attributes of the Kimpton experience that add even more value to their stay; therefore there is potential for growth between Kimpton and these customers.

There is also the potential to raise the room rates of these more loyal customers to generate more profit per guest. If the practices of recognizing and nurturing the guest are still supported and even enhanced, the guest may demonstrate price insensitivity supported by the literature and continue to stay at higher rates. As long as the members of *Kimpton InTouch* continue to feel that they are getting a good value in product and service, they will continue to return. Because Kimpton had tracking purposes in place prior to the guest typing performed for this study, guests who stayed at a Kimpton Hotel in 2003 or before (prior to the introduction of *InTouch*) were categorized as Repeat Guests. These guests may not have been aware that Kimpton had a guest recognition program and may have joined after their surveyed response. As

these guests were previously satisfied enough to return, they had already demonstrated the potential for loyalty. Still, there is the potential for Kimpton to develop loyal behaviors with these guests through the CRM practices and the *InTouch* Program.

At the time of this study, there were very few corporate clients with whom Kimpton had negotiated exclusive rates. Kimpton competes with several other hotel brands in every market for corporate contracts, and most agreements are not exclusive. Therefore, raising rates is a very delicate and sensitive matter in not only developing loyalty among guests but remaining competitive in a corporate market.

These findings support the growth of Kimpton into new markets. The potential for a hotel to open in a new market and succeed increases based on their solid historic performance, customer satisfaction ratings, and the perception that the Kimpton brand is a good value. Therefore, the GLP membership can play an important role in the expansion of the brand.

Hypothesis 1B: *Kimpton InTouch* **members are more likely to us less costly**
                        reservation booking methods to service than non-members.

Table 2 shows the frequency in which the various guest types indicated how they made their reservations. The reservation methods included (1) booking through the Kimpton Hotel website (the least expensive method), (2) booking directly through the hotel via the Kimpton 1-800 phone number or by using the *Inner Circle* VIP line, (3) through a travel agent, (4) through a corporate meeting planner, (5) through an administrative assistant, (6) through a third party website (the most expensive), and (7) other. These types of reservations were collapsed into two categories of reservations: those with a lower cost to service and those with a higher cost to service. The lower cost reservations were identified as the website and booking

directly with the hotel, including the 1-800 and VIP lines. The most expensive methods included

using travel agents, corporate travel planners, administrative assistants, third party websites, and

other. The frequency by guest type for each of the various reservations is presented in Table 2.

Table 2

Frequency results for "How Reservation Made?" by cost comparison

	Inner Circle	%	*InTouch Member*	%	Repeat Guest	%	First Stay	%	Total
Low Cost	83	40%	6,702	70%	943	77%	14,399	81%	22,165
High Cost	122	60%	2,886	30%	279	23%	3,409	19%	
Total	205		9,588		1,222		17,808		28,823

During this study, it was anticipated that *InTouch* members would reserve their stays

using methods less expensive than guests who are not in the program. As *Inner Circle* members

are the guests with the largest exposure to the brand and as there are measures in place to drive

InTouch members to reserve directly through the hotel, it is assumed that more *InTouch*

members book through the hotel. The results actually indicate the opposite of our prediction:

while seventy percent of *Kimpton InTouch* members reserved through a less expensive

reservation option, eighty percent of First-Stay guests booked through a less expensive option

too, directly with the hotel via telephone or the hotel's website. Therefore, at this time,

Hypothesis 1B can not be accepted. Because the survey was asked predominantly to those

guests who had reserved through the hotel directly, certain limitations may have prevented

accurate testing (see Limitations). According to the survey results, less than five percent

indicated reserving through a third party; however, according to Kimpton internal figures, 13.5%

of guests in 2004 used third party websites to reserve their stay. This percentage was down

compared to the previous year of 15.2%, and over the course of this study, there was a decrease

in the number of guests who booked through a more costly thirty-party website. During the study period, there was an increase in the number of *InTouch* members reserving directly through the hotel website due to a greater emphasis placed on driving guests towards less expensive reservation methods. Further study is recommended to see if these proportions change and if this hypothesis can be accepted at a later date**.**

Table 3

Frequency for "How did you make your reservation?" rating by guest type

Frequency by Guest Type	*Inner Circle*	*InTouch* Members	Repeat Guest	First Stay	Total
Via Kimpton Website	12	2681	370	5096	8159
Via Kimpton 1-800	14	2064	244	3905	6227
Via *Inner Circle* VIP #	32	0	0	0	32
Directly with hotel	25	710	40	301	1076
Travel Agent	63	1957	329	5398	7747
Corporate Travel Planner	24	912	68	465	1469
Admin. Asst.	16	268	28	330	642
Via Third Party Website	1	442	78	1123	1644
Other	18	554	65	1190	1827
Total	205	9588	1222	17808	28823

Hypothesis 1C: *Kimpton InTouch* **members demonstrate greater customer satisfaction than those who are not members**

 To examine customer satisfaction among those surveyed, a review was made of the guest scores with regards to the questions "How would you rate your overall experience?", "How likely are you to stay with us again when in the same area?", and "How likely are you to stay with us influence your decision to stay at other Kimpton Hotels in the future?"

The data analysis revealed evidence to support that members of the *Kimpton InTouch* program appear to exhibit a higher perceived overall satisfaction than guests staying for the first

time. Again, a Likert scale was utilized to measure the overall experience of guests with 1=

Very Dissatisfied and 5= Very Satisfied. In reviewing Table 4, we see that that the average

customer satisfaction rating of *Inner Circle* members was 4.63 with 72% scoring a rating of

"Very Satisfied" for their stay. *InTouch* members had a mean of 4.42 with a frequency of 56%

responding as "Very Satisfied," compared to the respective 4.37 and 55.81% by First Stays for

the same question. Repeat Guests also scored higher satisfaction than First Stay guests, rating

slightly higher than *InTouch* members, with a mean of 4.45 and frequency of 60%. These results

validate that the greater exposure a guest has to Kimpton, the greater the guest's satisfaction and

potential for repeat purchase. Both *Inner Circle* and *Kimpton InTouch* members appear to have a

greater satisfaction than First Stay Guests.

Table 4

Mean responses of "How would you rate your overall satisfaction?" ratings by guest type.

	N	Mean	% "Very Satisfied" Responses
Inner Circle	206	4.63	72.3
InTouch	9609	4.42	56.9
Repeat Guest	1222	4.45	60.1
First Stay	17843	4.37	55.8
Total	28880	4.39	

5= Very Satisfied   1= Not at all satisfied

Kimpton InTouch guarantees personal room preferences and promises that these

preferences will be honored at any Kimpton hotel. For guests who prefer a bed on a high floor,

away from the ice machine, and a non smoking room, they will receive the available room that

best meets this description when they arrive to any Kimpton hotel. Kimpton believes that it is

often a very small thing that makes or breaks a guest's experience. Taking these relatively small

matters to heart allows Kimpton to show that they view the experience of each and every guest as important, and they work hard to maximize the overall experience for the guest. The fact that *InTouch* members scored lower than Repeat Guests may be a result of Kimpton's philosophy to recognize Repeat Guests and treat them as *InTouch* members and motivating the Repeat Guests to enroll in the program by extending the benefits they will enjoy after joining. Because Repeat Guests have already stayed at that particular Kimpton Hotel at least once before, they indicate the potential for loyalty. Converting these guests to *InTouch* members proves an opportunity for development for Kimpton and will increase the likelihood of establishing long term relationships with them.

In answer to the question "How likely are you to stay with us if you are in the area again?", guests who were already members of the program appeared to score higher than guests who were not in the program at the time of their stay. *Inner Circle* members had the highest average at 4.75, and *InTouch* members placed second with an average score of 4.44. *Inner Circle* guests scored the "Much more likely" option 83% of the time, and *InTouch* members scored this highest level of likelihood 63% of the time. Both membership types scored higher than the non-member guests, though there is not a great difference between *InTouch* members and Repeat Guests. The mean for Repeat Guests was 4.39 with nearly 61% responding at the highest level of likelihood to repeat purchase while First Stay scored a 4.20 mean, indicating the repeat buy at just over 51%. Therefore, there is evidence to support the hypothesis that members of the *Kimpton InTouch* program are more likely to stay at the same property again than non-members (Table 5).

Table 5

Mean responses to "How likely are you to stay with us when traveling in the area again?"

	N	Mean	% "Much More Likely" Responses
Inner Circle	205	4.75	82.9%
InTouch	9,591	4.44	63.1%
Repeat Guest	1,222	4.39	60.8%
First Stay	17,806	4.20	51.4%
Total	28,824	4.29	

5= Much more likely   1-Much less likely

In the final variable "How will your stay with us influence your decision to stay at other Kimpton Hotels in the future?", there appears to be support that the guest types within the *InTouch* program are more likely to stay at another Kimpton Hotel in the future than First Stay guests. Again, the Likert scale responses were 1 = Much Less Likely and 5= Much More Likely.

The findings reveal that *Inner Circle* members had the highest mean score with a 4.56; *InTouch* members scored a 4.42. Both guest types had higher averages than those not in the program (Repeat Guests at 4.39 and First Stays at 4.22), though there is not a discernable difference between Repeat Guests and *Kimpton InTouch* members. The hypothesis that members of the *Kimpton InTouch* program exhibit greater guest satisfaction than non-members is validated when analyzing the relationship between members of the program (*Inner Circle* and *InTouch* guests) and First Stay guests; however the hypothesis is rejected when examining the differences between *InTouch* and Repeat Guests (Table 6).

Table 6

Mean average "How will your stay with us influence your
decision to stay at other Kimpton Hotels in the future?" Rating by guest type

	N	Mean	% "Much More Likely" Responses
Inner Circle	206	4.56	68.5%
InTouch	9,580	4.42	59.6%
Repeat Guest	1,218	4.39	57.2%
First Stay	17,757	4.22	50.7%
Total	28,761	4.30	

5= Much more likely   1-Much less likely

Hypothesis 1: *Kimpton InTouch* members exhibit loyalty to Kimpton

Hypotheses 1A may be validated when reviewing the differences between *InTouch* members and First Stay guests, and while 1B was not validated, there is evidence to support that *Kimpton InTouch* guests were increasing their usage of less expensive reservation options by the end of the study. Hypotheses 1C cannot be validated, thus, at this time, there is insufficient evidence to validate Hypothesis 1.

4.2   Hypothesis 2A: *Kimpton InTouch* members are more likely to promote the brand through word of mouth recommendations than non-members

When asked the question "How likely are you to recommend this hotel to a friend or colleague planning to visit the area?", there may be evidence to support the suspicion that guests in Kimpton's GLP were more likely to recommend the hotel than those who were not. In reviewing the results of the five-point Likert scale, with 1= "Much less likely to recommend" and 5= "Much more likely to recommend," the mean average score for First Stay guests was 4.31, with 60% scoring a "5" for their likelihood to recommend the hotel. First Stay guests cored

lower than *InTouch* and *Inner Circle* guests at 4.48 and 4.48 respective. *InTouch* members rated

a "Much More Likely" to recommend the hotel at the rate of 67%, and *Inner Circle* members

scored 83% (Table 7). This validates the acceptance of Hypothesis 2A, stating that *Kimpton*

InTouch members are more willing to help promote the brand through word of mouth than First

Stay guests, confirming the assumption that more loyal customers may demonstrate a willingness

to support the company.

Table 7

Mean responses to "How likely are you to recommend
us to a friend or colleague planning to visit the area?"

	N	Mean	% "Much More Likely" Responses
Inner Circle	204	4.74	82.8%
InTouch	9,555	4.48	66.7%
Repeat Guest	1,213	4.46	65.5%
First Stay	17,747	4.31	59.5%
Total	28,719	4.38	.

5= Much more likely   1-Much less likely

In this response, *InTouch* members scored slightly higher than Repeat Guests; however,

this difference does not adequately support the hypothesis. These results, again, speaks to the

importance of converting Repeat Guests to *InTouch* members. Kimpton may capitalize on

InTouch members who demonstrate a high likelihood of recommending the brand to others.

Hypothesis 2B: **Members of *Kimpton InTouch* have a greater awareness of the**

Kimpton brand than non-members.

The data analysis revealed evidence that may support the assumption that members of the

Kimpton InTouch program appear to exhibit a higher awareness of the Kimpton brand than

guests staying for the first time. A three-point Likert scale was utilized with 1 = Yes, I was

Aware of Kimpton and 3= No, I have never heard of Kimpton. In the survey, guests were asked

the question "Prior to your stay, were you aware the hotel was a Kimpton Hotel?" The responses

of "Yes, I was aware" and "No, but I have heard of Kimpton" are both indicators of an

awareness of the Kimpton brand. When adding the percentage of these responses, both *InTouch*

guest types scored a higher frequency that they were more aware of the Kimpton Brand than

those guests who were not in the program. *Inner Circle* members scored the highest awareness

rating with 100% already aware the hotel was a Kimpton property. *InTouch* guests had a

combined score of 86.3%, comprised of "Yes, I was aware" and "No, but I have heard of

Kimpton", indicating that they were aware of the Kimpton brand. Repeat guests were aware of

the Kimpton brand at the rate of 76%, but only 56.3% of First Stay guests were aware of the
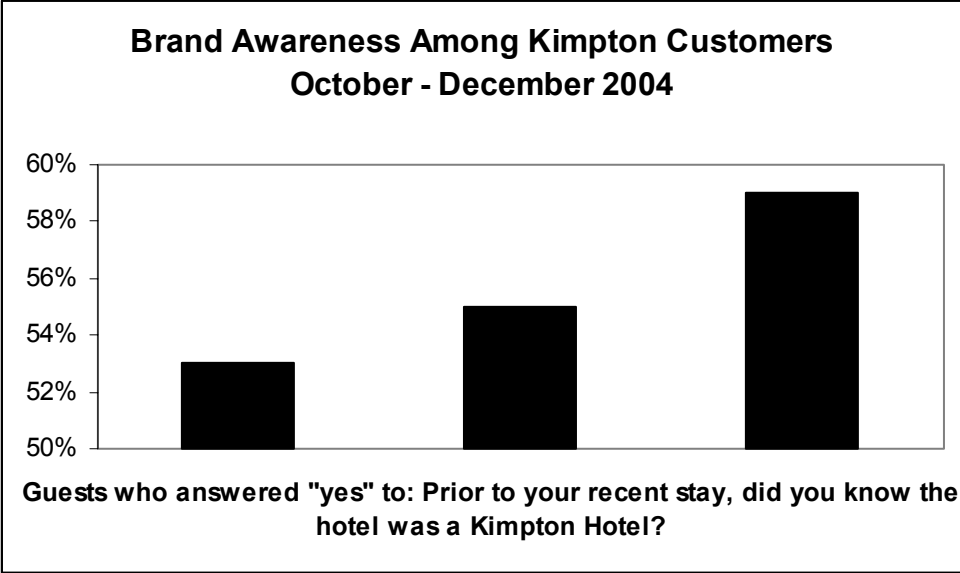
Kimpton brand before booking.

Table 8

Frequency response to "Prior to your stay,
were you aware the hotel was a Kimpton hotel?" Rating by guest type.

	Inner Circle	%	*InTouch* Members	%	Repeat Guests	%	First Stay	%
Yes, I was aware	48	100	2,546	80	250	66.1	2,851	43.5
No, But I have heard of Kimpton	0	--	202	6.3	38	10.1	841	12.8
No, I have never heard of Kimpton	0	--	436	13.7	90	23.8	2,859	43.6
Total	48		3,184		378		6,551	

When asked the question "Before your recent stay here, were you aware that this was a

Kimpton Hotel?", only 44% of First Stay guests had ever heard of Kimpton Hotels, but even

more alarming, 13.7 % of *InTouch* members stated they had never head of Kimpton. This is an indicator of the "brand of one" mentality that Kimpton is attempting to overcome. It is possible that guests sign up for *InTouch* at one hotel without recognizing it as a branded property. According to internal reports, in October 2004, 53% of all surveyed guests indicated that they were aware the hotel they had stayed at was a Kimpton Hotel, and in December, this percentage rose to 58%. This increase supports the expansion of Kimpton's brand awareness and that Kimpton's effort to improve their brand recognition through *Kimpton InTouch* was working (Figure 4).

Figure 2

Brand Awareness Among Kimpton Customers
October - December 2004

Guests who answered "yes" to: Prior to your recent stay, did you know the hotel was a Kimpton Hotel?

Hypothesis 2:   *Kimpton InTouch* **increases brand recognition amongst both members and non members.**

Because the criteria for acceptance of Hypothesis 2 hinges on the acceptance of Hypotheses 2A and 2B, there is insufficient evidence to support that *Kimpton InTouch* increases brand recognition among both members of the GLP and non-members.

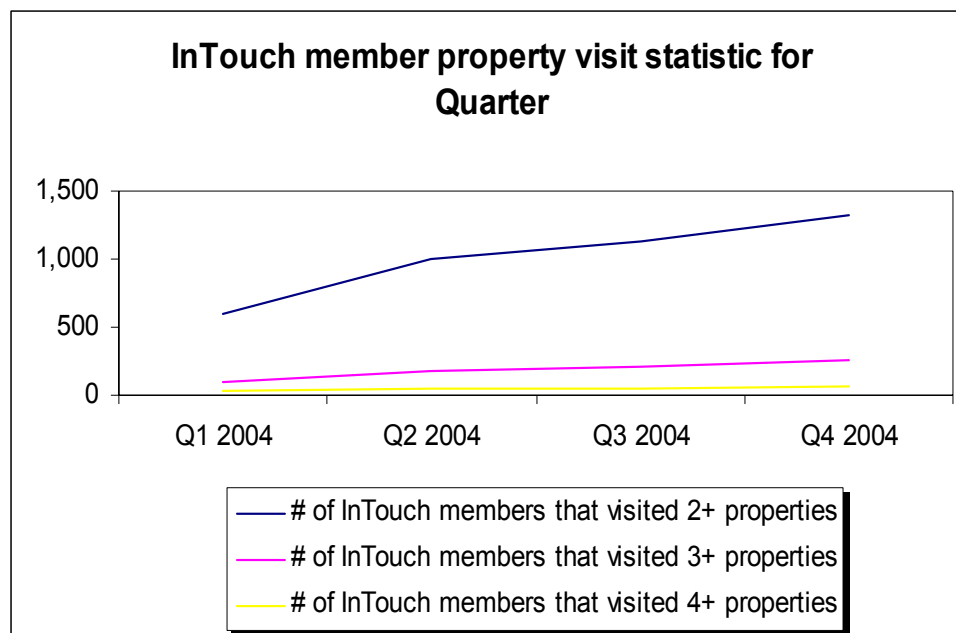# CHAPTER FIVE: CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

5.1   Conclusions

Hypothesis 1:

Throughout the course of this study, the members of *Kimpton InTouch* responded with higher scores to all survey questions; however, it cannot be verified that *Kimpton InTouch* members demonstrate higher levels of loyalty than First Stay guests.   In each reviewed area, *Inner Circle* guests perceived the highest value for the price paid, had the highest overall satisfaction, were most willing to return to not only the hotel they visited but to other properties within the brand, and had the highest customer satisfaction ratings. As described in the literature, these are recognized and accepted indicators of loyalty; however, as there were no distinguishable differences between Repeat Guests and *InTouch* members, the question continues as to what impact a membership in a GLP has in fostering guest loyalty.

Hypothesis 2:

Through survey response analysis, *Kimpton InTouch* members demonstrate a willingness to choose other Kimpton Hotels in the future. Program members indicate a higher willingness to stay at other Kimpton hotels and an increased awareness of the Kimpton brand over First Stay guests. Through visit history statistics gathered in Guestware®, it is possible to see an increase in program members who had visited more than one Kimpton property during the research period.   Over the course of the study, the number of guests that experienced two or more hotels nearly tripled, starting at 590 at the introduction of the program and growing to over 1,300 by the end of the year. Similar percentage increases were seen for those guests who were experiencing three and four or more properties.

Figure 3

InTouch member property visit statistic for Quarter

Legend:
- # of InTouch members that visited 2+ properties
- # of InTouch members that visited 3+ properties
- # of InTouch members that visited 4+ properties

5.2   Discussion

Based on the findings of this study, it is evident that Kimpton Hotels is offering guests a product they perceive to be valuable. The fact that *Kimpton InTouch* scores register higher perception for the overall value of the guests supports that Kimpton is connecting with guests at a personal level. According to the survey, a large number of respondents are frequent business travelers and are exposed to a myriad of brands on a regular basis. Some aspect of their stay at a Kimpton Hotel appeals to them, and they feel they are getting more for their money. For those that were in the hotels for leisurely purposes, their responses send a message that they feel they were being pampered in some way. They essentially said that they were getting a higher quality product than they were used to but at the same price. Whether speaking to the need to be comfortable while away from home, or to be pampered without breaking the bank, Kimpton is

making connections to their guests and establishing positive associations between the guests and the Kimpton brand. As more guests build these positive associations, there is greater opportunity for the brand to expand into new markets. Based on the high customer ratings for satisfaction and value for price, it appears that customers have a positive image of the brand. According to Reicheld (1993), it is this type of positive relationship between the buyer and the seller that builds a loyal following.

In 2004, Gournaris wrote that customers who have positive brand reinforcements and positive post-purchase experiences reward the brand by helping to support the brand through repeat purchase and recommending the product to their friends, family, and associates. This is supported in this study by the fact that both *Inner Circle* members and *Kimpton InTouch* members indicated a willingness to tell someone about their stay and recommend the hotel. In addition they also indicated a willingness to return and purchase again. In focus group discussions with several members at both the *InTouch* and *Inner Circle* level, guests indicate that they check first that to see if there is a Kimpton Hotel where they are traveling before searching for another hotel product. This sentiment shows that brand awareness is growing, and they are developing into loyal consumers. These guests, by sharing their experiences with colleagues and recommending the hotels, are aiding Kimpton in promoting its brand.

Guests following this potentially loyal behavior bring additional benefits to the company. One clear benefit referred to in the literature is a willingness and ability of loyal shoppers to share their experiences and make recommendations to other. The results of this study hint to this willingness without being able to prove it empirically. However, one of the benefits indicated by Reicheld (1993) was not clearly demonstrated, namely, that repeat customers are less costly to

service. While a review of the reservation methodology did not indicate clear savings with regards to reservation expense, there is evidence that the program saves marketing costs.

Kimpton uses *InTouch* and its database for monthly marketing e-mail promotions. Based on preference and travel information gathered from the guests in the program, guests receive customized e-mails inviting them to take part in a special rates or discounts at hotels in areas of interest. For example, if a guest indicates that he has a fondness for skiing, Kimpton sends him an e-mail inviting him to enjoy a stay at the Aspen Sky Lodge or the Summit Lodge in Whistler, British Columbia for 20% off the best available rate. Figure 3 shows an example of an e-mail promotion members may receive.

Figure 4   **Sample E-mail Marketing Promotion**

These e-mail campaigns are much less expensive to produce and send to members than producing a hard-copy publication and sending by U.S. Mail. As the campaigns are also targeted

towards a selected audience that had already expressed an interest in either a city or an activity the city is recognized for, they are more effective than a scatter style campaign targeted at a large audience. As these promotions are often geared towards stimulating business during slow hotel periods, they have been responsible for creating "found business" and bringing in revenues that were not already on the books and unlikely to materialize. In 2004, through limited usage, these campaigns generated over $500, 000 in new room revenue.

Through *Kimpton InTouch*, members demonstrated a connection to the brand and recognition that Kimpton was meeting its brand promises. Hallberg (2004) wrote that a guest loyalty program can help a company move up the hierarchy in brand leadership. *Kimpton InTouch* may have aided Kimpton with its efforts to be more widely recognized and appreciated by its customers: in the second quarter of 2005, Kimpton Hotels received the highest ranking in customer satisfaction for the Upper Upscale Market Segment by the Market Metrix Hospitality Scale, the largest and most in-depth measure of hotel performance. Kimpton out-performed Walt Disney Resorts, Marriott and Renaissance, Hyatt, the Hilton brands of Hilton Hotels, Doubletree and Embassy Suites, and Starwood's Sheraton and Westin brands (Market Metrix, 2005). Prior to receiving this recognition, Kimpton had never made the top ten in the quarterly ratings. This recognition may be a result of Kimpton's emphasis on customer appreciation and recognition, supported by the *Kimpton InTouch* program.

While researching this topic, many of the various loyalty programs were reviewed and compared to *Kimpton InTouch*, ranging from programs at limited service 1 to 2 diamond chains to the full service chains operating 3 to 4 diamond hotels. In many cases, programs lacked an appreciation of the importance that CRM can play in wooing guests away from the competition and creating loyal customers. The *MicroPass* program operated by Microtel, a rapidly growing

chain of limited service hotels and recently awarded "Highest in Customer Satisfaction" by J.D. Power and associates for the economy/budget segment, offers members a free night after nine nights visited; however, when registering for the program online, there is no area to gather any information to establish a relationship with the guest. Even though the hotels offer limited services to budget-minded travelers, simple questions such as areas of interest, hobbies, and areas frequently visited could garner valuable information that would allow Microtel to learn a little more about their client base. As they already have a solid customer satisfaction rating and there is a strong likelihood that a number of their previous visitors will return, there is an opportunity to capture their loyalty. Sending members promotions for properties in the same region may stimulate new business, and it will create awareness with the guest when planning his next trip. Any program that does not utilize similar CRM opportunities is simply wasting money on printed collateral, misusing labor, and loosing revenue in room nights given away to competitors, and they will not be as successful in engendering loyalty as programs that do.

Unfortunately, not all rewards programs have a customer-centered focus. Many programs are nothing more than overblown punch cards, where anyone can stay a certain number of nights and get the next one free. The reward provider is not interested in anything other than repeat business. With so many competing brands in the market, it is the company that can set itself apart from the others as offering that something special -- that unique and personal touch that makes the guest feel they are in a home away from home -- that will win.

A guest loyalty program can be a very strong marketing tool with the ability to communicate the brand's promise to its members. It is recommended that hoteliers currently offering reward programs review the perceptions their members have of the program. Does the hotel offer any customer relationship development? Are they actively using their membership to

promote new business and to find new members? Are they monitoring satisfaction levels to

make sure those frequent guests can continue to be relied upon for repeat purchase? If they are

not adopting these measures, they are wasting their customer's time, attracting a pool of the

wrong types of guests, and are throwing resources away on a defective program.

5.3   Limitations of the Study

One of the primary limitations to the study was the importance placed on using secondary

data tools in the study. By using the guest satisfaction surveys, emphasis was placed on a tool

that was not specifically designed for the purpose of the study. As a result, variances in results

may be contributed to various factors including differences in sample size and response

measurements. Any statistical testing of this data is therefore required to undergo more intense

analysis than used within this study.

One of the limitations to that arose during the course of the study was fact that Kimpton,

having created a niche for themselves as the leading boutique hotel company, already had an

established, loyal following. Many of the repeat guests surveyed had already experienced the

Kimpton product and were satisfied enough to return though many of these guests may not have

had the opportunity to join the program prior to their stay. Tracking procedures were already in

place prior to guest typing, and guests who stayed with Kimpton properties in 2003, prior to the

introduction of *InTouch*, were categorized as Repeat Guests. These guests may not have been

aware that Kimpton had a guest recognition program and joined after their surveyed response.

The differences in responses from Repeat Guests and Kimpton InTouch members may have been

more significant had these Repeat Guests been converted to members of the program. This also

draws into question whether the guests were loyal to the program, or to Kimpton, or a specific property.

One of the challenges with the survey was capturing guest e-mail addresses. The highest number of e-mail addresses gathered was from those guests who booked directly with the hotel. As a result, the findings may have been heavily skewed towards guests who booked directly with the hotels. Through this reservation booking method, an e-mail address could be solicited with the purpose of sending an electronic confirmation. In comparison, travel agents who reserve through Global Distribution Systems may intentionally omit the field of e-mail address in an attempt to prohibit the hotel from contacting clients directly, thus protecting future commissions. FIT/Wholesalers and internet distribution channels are similar in that each negotiates with hotels for allotments of rooms at discounted prices. While each operates in a different manner, all control customer information and restrict certain information from hotels. In some cases, it is a security or privacy matter, but the major motivating factor for this withholding of information is that restricting access to the customer can prevent hotels from cutting out the middleman. If guests booked through one of these third party vendors, the only way to get an e-mail address is at the point of check-in. And at that point, guests usually become reluctant to give an address for fear of receiving unwanted "spam" messages. Thus, the limitations imposed by the method of booking and the guest's hesitation to share personal information may have reduced the potential for broader response returns.

Another factor that may have reduced the number of respondents was the development of "spam blockers." It is possible that company firewalls and at-home software programs designed to block and delete unwanted e-mail messages may have viewed the initial e-mail invitation as "spam," not allowing the message through to the guest. At the time of the study, Canadian law

44

prohibited two of Kimpton's hotels, the Pacific Palisades in Vancouver and the Summit Lodge in Whistler, from sending any survey solicitations to the guests; however, it is the opinion of the conductors of this study that there was sufficient response to the survey to validate results.

Limitations were also placed on the number of comment cards to prevent frequent guests from being inundated with requests to complete the survey. It was the decision of Kimpton to place a limit of one comment card per quarter per guest. While many opportunities may have been lost to garner customer feedback, it was felt that too many surveys could dilute the responses and lose the true sentiment of the frequent guests when responding.

Another limitation of this study was that the program's historical data was only one year old. Guest loyalty programs are intended to help hotels develop long term relationships, and only one year of review is not sufficient enough time to analyze and appreciate the program's ability to develop these relationships. However, as the emphasis during this first year was on Kimpton's ability to enhance their brand through *Kimpton InTouch*, there is enough data to show that progress being made. As follow-up data becomes available, there is the potential for further study and examination to see if the hypotheses of this study will be supported.

5.4   Recommendations

As the survey tool was developed with some level of skewing towards guests who reserved directly with the hotel, a follow-up study utilizing primary data is recommended to ascertain if there are any additional underlying factors that may be influencing the findings.

One interesting result of the study was the lack of a difference between repeat guests and *InTouch* members. These findings would lead one to believe that the existence of the program had little impact on the guest. A guest who has stayed at a Kimpton hotel once before and is a

45

Return Guest may have based their decision to return on value perceptions; however, as customer contact information is recorded for members of the program, converting these repeat guests to *InTouch* members brings the benefit of being able to promote other properties and new hotel openings directly to the guest. Further study is recommended to ascertain the importance of the program on the brand purchase decision.

There is a possibility that those most frequent guests in the Kimpton program would continue to be so without the benefit of their membership. It is recommended that further review of the program be conducted to measure the relationships between *InTouch* members and the brand as the *Kimpton InTouch* program becomes more established.

Also, the question of customer retention has not been addressed in this study. As many members may travel less frequently than others, the continued study over a period of three to five years will give a better representation of Kimpton's ability to inspire repeat purchases from their members. Some *Kimpton InTouch* members have registered for to receive the email promotions or to be eligible to receive credit for future stays, yet they have never actually stayed at a Kimpton Hotel; thus, a review of the number of members with zero visits is recommended. In addition, a review of how many members have fallen into a state of inactivity will give a better picture of Kimpton's ability to maintain the program's effectiveness and sustain the customer's loyalty.

Appendix I

KIMPTON SURVEY TOOL: Guest Presentation

Kimpton Hotels
Guest Experience Survey

Which of the following best describes the reason for your stay?

◯ Combination of business and pleasure/leisure

◯ Only business

◯ Only pleasure/leisure

Did you attend a special event or meeting during your stay?

◯ Yes - at this hotel

◯ Yes - at another hotel

◯ No

[<<< Back]   [Next >>>]

KIMPTON every hotel tells a story   800-KIMPTON | KI

I

Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

Kimpton Hotels
Guest Experience Survey

How was your reservation made?

○ **Via the Kimpton Website**

○ **Via the Kimpton 1-800 number**

○ **Via the Inner Circle VIP Reservations Line**

○ **Through a Travel Agent**

○ **Directly with the hotel**

○ **Through a Corporate Travel Planner**

○ **Through an Administrative Assistant**

○ **Through an online web site such as Expedia.com, Hotwire.com, Tra etc.**

○ **Other** *(please specify):*

[<<< Back]   [Next >>>]

KIMPTON   every hotel tells a story   800-KIMPTON | KIMF

Kimpton Hotels
Guest Experience Survey

How would you rate staff friendliness, attitude, and professionalisr

	Very Satisfied			
	5	4	3	2
Overall staff friendliness, attitude, and professionalism	○	○	○	○
Helpfulness of staff *(luggage service, directions, willingness to answer questions, etc.)*	○	○	○	○
Staff knowledge of hotel	○	○	○	○
Staff knowledge of local area	○	○	○	○
Handling of messages and packages	○	○	○	○
Personalized service and attention to detail	○	○	○	○
Appearance of staff	○	○	○	○

Please let us know if you have additional comments regarding ou
our staff were especially helpful, please let us know who they are
the circumstance so we can show them our appreciation:

<<< Back   Next >>>

KIMPTON every hotel tells a story   800-KIMPTON | KIN

Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

Kimpton Hotels
Guest Experience Survey

Did you dine in the hotel restaurant?

⦿ Yes   ○ No

How would you rate your restaurant experience?

	Very Satisfied			
	5	4	3	2
Overall restaurant experience	○	○	○	○
Restaurant food quality	○	○	○	○
Speed/efficiency of restaurant service	○	○	○	○
Friendliness and attitude of restaurant staff	○	○	○	○
Condition/cleanliness of restaurant	○	○	○	○
Restaurant value for price paid	○	○	○	○

Please let us know if you have additional comments regarding the

<<< Back   Next >>>

KIMPTON   every hotel tells a story   800-KIMPTON | KIN

Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

Kimpton Hotels
Guest Experience Survey

Did you experience any problems during this stay?

◉ Yes   ○ No

Did you report the problem(s) to the hotel staff?

○ Yes   ○ No

Were all of your problems resolved satisfactorily during your stay?

○ Yes   ○ No

Please describe the problem(s) you experienced:

[<<< Back]   [Next >>>]

KIMPTON   every hotel tells a story   800-KIMPTON | KII

Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

Kimpton Hotels
Guest Experience Survey

During your recent visit, if you had any special needs, such as spec
requirements, special bath or cosmetic products, wheelchair acces
feel these needs were met?

○ Yes

○ No

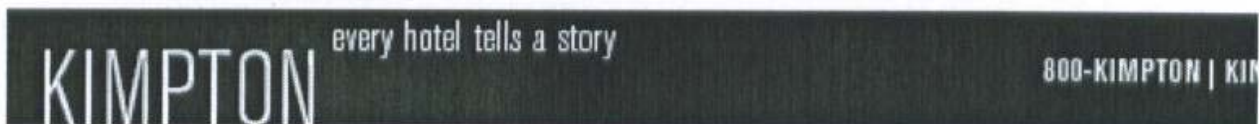○ Did not have any special needs

What is your gender?

○ Male   ○ Female

Please provide any additional comments below regarding your sta

<<< Back

Submit Survey

Having Trouble Submitting Your Responses?

KIMPTON   every hotel tells a story   800-KIMPTON | KIN

REFERENCES

Baldinger, Allan L. and Joel Rubinson (1996) "Brand Loyalty: The Link Between Attitude and Behavior" *Journal of Advertising Research*, Nov/ Dec, 22-34.

Baloglu, Seyhmus (2002) "Dimensions of Customer Loyalty: Separating Friends from Well Wishers" *Cornell Hotel and Restaurant Administration Quarterly*, Feb, 47-59.

Barsky, Jonathan and Leonard Nash (2002) "Evoking Emotion: Affective Keys to Hotel Loyalty" *Cornell Hotel and Restaurant Administration Quarterly*, Feb, 39-46.

Bolton, Ruth N. P. K. Kannan and Matthew D. Bramlett (2000) "Implications of Loyalty Program Membership and Service Experiences for Customer Retention and Value" *Journal of the Academy of Marketing Science*, 28 (Winter) , 95-108.

Chittum, Ryan (2005) "Kimpton Will Unveil Big Expansion" *Wall Street Journal, June 1, B8.*

Dowling, Grahme R. and Mark Uncles (1997) "Do Customer Loyalty Programs Really Work" *Sloan Management Review,* Summer, 71-81.

Gournaris, Spiros (2004) "Antecedents and Consequences of Brand Loyalty: An Empirical Study" *Brand Management*, 11 (4), 283-306

Hallberg, Garth (2004) "Is your Loyalty Programme Really Building Loyalty? Why Increasing Emotional Attachment, Not Just Repeat Buying, is Key to Maximising Programme Success" *Journal of Targeting, Measurement and Analysis for Marketing* 12 (3), 231-241

Hoyer, Wayne D., and Steven Brown (1990) "Effects of Brand Awareness on Choice for a Common, Repeat Purchase Product*" Journal of Consumer Research*, 17 (Sep), 141-148.

Johnson, Avery "'Indie" Hotels Launch Loyalty Perks" *Wall Street Journal*, 10 May 2005, D6.

Kearney, Terrence J.(1999) "Frequent Flyer Programs: A Failure in Competitive Strategy, with Lessons for Management" *The Journal of Consumer Marketing*, 7 (1) 31-40.

"Market Metrix announces first quarter 2005 hospitality index result" <http://www.marketmetrix.com/MMHIResults.asp?QTR=2005.0>

McCleary, Ken W. and Pamela A. Weaver (1991) "Are Frequent-Guest Programs Effective" *Cornell Hotel and Restaurant Administration Quarterly*, Aug, 39-54.

Piccoli, Gabriel, Peter O'Connor, Claudio Capacciolo and Roy Alvarez (2003) "Customer Relationship Management: A Driver for Change in the Structure of the U.S. Lodging Industry" *Cornell Hotel and Restaurant Administration Quarterly*, Aug, 61-73.

Reicheld, Frederick F. (1993) "Loyalty Based Management" *Harvard Business Review*, Mar-Apr, 64-73.

Reinartz, Werner and V. Kumar (2002) "The Mismanagement of Customer Loyalty" *Harvard Business Review*, July, 86-94.

Reinartz, Werner, Manfred Kraft and Wayne D. Hoyer (2004)"The Customer Relationship Management Process: Its Measurement and Impact on Performance" *Journal of Marketing Research*, 41 Aug, 293-305.

Skogland, Iselin and Judy A. Siguaw (2004) "Are Your Satisfied Customers Loyal" *Cornell Hotel and Restaurant Administration Quarterly*, 45 (3), 221-234.

Stum, D. L. and Thiry, A. (1991) "Building Customer Loyalty" *Training and Development Journal*, 45 (4), 34-36**.**

Toh, Rex S., Mary-Jean Rivers and Glenn Withiam (1991) "Frequent-Guest Programs: Do They Fly" *Cornell Hotel and Restaurant Administration Quarterly*, Aug, 46-52 .

Tucker, W.T. (1964) "The Development of Brand Loyalty" *Journal of Marketing Research*, 1, 32-35.

Verhoef, Peter C. (2003) "Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development" *Journal of Marketing*, 67 (Oct), 30-35.

Watkins, Edward (1989) "Keeping Up With the Hilton's", *Lodging Hospitality,* June, 1989, 2.

Wood, Lisa M. (2004) "Dimensions of Brand Purchasing Behaviour: Consumers in the Group" *Journal of Consumer Behaviour,* 4(1), 9-24.

Wright, Claire and Leigh Sparks (1999) "Loyalty Saturation in Retailing: Exploring the end of retail loyalty cards?" *International Journal of Retail and Distribution Management*, 27 (10), 429-439.

Bibliography

Escalas, Jennifer and Bettman, James R. (2003) "You Are What They Eat: The Influence of Reference Groups on Consumers' Connections to Brands" *Journal of Consumer Psychology*, 13 (3), 339-348.

Farquhar, P. H. (1999) "Brand Waves: Building Momentum Throughout the Ownership Cycle" Marketing Management, Fall, 14-18.

Hart, Susan, Andrew Smith, Leigh Sparks and Nikolas Tzokas (1999) "Are loyalty Schemes a Manifestation of Relationship Marketing?" *Journal of Marketing Management,* 15, 541-562

"International Society of Hospitality Consultants Honors Bill Kimpton (Posthumously) for his Pioneering Leadership in the U.S. Boutique Hotel Market" *Hotel OnLine.Com,* Feb 2002, <http://www.hotel-online.com/News?PR2002_1st/Feb02_KimptonISHC.html>

Jiang, Weizhong, Chekitan S. Dev and Vithala R. Rao (2002) "Brand Extension and Customer Loyalty: Evidence from the Lodging Industry" *Cornell Hotel and Restaurant Administration Quarterly*, Aug, 5-16.

Knox, Simon and David Walker (2003) "Empirical Developments in the Measurement of Involvement, Brand Loyalty, and Their Relationship in Grocery Markets" *Journal Of Strategic Marketing* 11 (Dec) 271-286.

Leong, Siew Meng (1993) "Consumer Decision Making for Common, Repeat Purchase Products" A Dual Replication" *Journal of Consumer Psychology, 2 (2), 193-208.*

O'Brien, L and Jones C. (1995) " Do Rewards Really Create Loyalty" *Harvard Business Review,* May-June, 75-82.

Rothschild, Michael L. and William C. Gaidis "Behavioral Learning Theory: Its Relevance to Marketing and Promotions" *Journal of Marketing*, 45, 70-78.

Selnes, F (1993) " An Examination of the Effect of Product Performance on Brand Reputation, Satisfaction and Loyalty" *EJM,* 24 (9) 19-35.

Sharp, Byron and John Dawes (2001) "What is differentiation and how does it Work?" *Journal of Marketing Management*, 2001, 17, 739-759.

Sujan, Mita and James R. Bettman (1989) " The Effects of Brand Positioning Strategies on Consumers Brand and Category Perceptions: Some Insights from Schema Research" *Journal of Marketing Research*, 26 (Nov), 454-467.

"Twenty-Six Most Fascinating Entrepreneurs" *Inc.Com Magazine* <http://www.inc.com/magazine/20050401/26-latour.html>

VITA

Keith Brophy was born in Rochester, New York, and raised in Seneca Falls, New York. He graduated from Mynderse Academy Senior High School in 1992 with a Regents Honors diploma and earned his Bachelor's of Science in Cultural Studies, with a concentration in Communications, from Empire State College in 1998. He has actively worked in the hospitality industry for over twelve years. Prior to Hurricane Katrina, Mr. Brophy was employed as Reservations Manager for the Hotel Monaco New Orleans. Currently, he and his family reside in Sheffield, Alabama, until permanent relocation as a result of the disaster. He is a candidate for a Masters of Business Administration and Masters of Science in Hospitality and Tourism from the University of New Orleans in 2005.