

Integrated Marketing Works – Even Inside!

By Robert Passikoff and Don E. Schultz

Abstract

This paper describes an innovative engagement approach to establishing how an organization can estimate the amount to invest in a marketing program, potential returns, and the specific program elements required to change employee behaviors. It addresses the following two, critical planning questions: Can employee engagement and behavior be linked to guest expectations that allow for the calculation of potential “future value” created by better managing the guest experience and, in an age when guest “delight” turns into “expectation” faster than an overnight stay, how can hotels avoid commoditization and maintain guest loyalty?

The paper proves that employee engagement – and employees’ abilities to align their attitudes and behaviors with guest expectations – is becoming the *experiential* first contact touch-point that *can* differentiate one hotel from another and increase profitability. The link between predictive guest value drivers and employee engagement, can identify the financial value of employing internal programs to change employee behaviors. The paper shows how management can more strategically sequence initiatives that address experiential touch-points, and quantifies what financial value will be derived from increased levels of employee engagement in select, touch-point activities.

As all researchers understand the difficulty in gaining access to actual sales data, but in a rare instance, actual guest financial and behavioral data was made available for this survey by an international hospitality brand. As such, the paper proves this approach can be practically applied, can accommodate a large number of variables, and can provide the leisure industry with a way to consider return-on-investment measures in corporate decision making regarding the most time and cost-effective way to manage the guest experience.

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Study Assessments

This project utilized a 3-step integrated marketing assessment to identify:

1. Guest values and expectations as they relate to specific marketing, brand and experience issues in the leisure industry,
2. Identification of the relationship between employee engagement and behavior to guest values and expectations, and
3. Identification of the financial value that will result from changes in levels of employee engagement and actual behavior as they relate to managing the leisure experience.

The methodological framework utilized 1) engagement assessments to identify guest value drivers and the degree of alignment that exists between what a guest wants and to what degree employees are engaged with these desires, and 2) a financial analysis that relates the identified value drivers with actual guest visitation and spending behavior.

The research was conducted in 3-regions of the United States, in 6 hotels (3 business hotels and 3 leisure hotels). Interviews were conducted among guests, where names were provided by the international hospitality brand of guests who had stayed in each hotel within the past 3 months, and “front-desk/lobby personnel” to identify and quantify the:

- Drivers of guest loyalty and value,
- Percent-of-contribution that 28 hotel process items made to engagement, loyalty and profitability,
- Order of importance of the value drivers of guest loyalty (which describe how the guest views the category, compares offerings, and, ultimately, becomes a loyal guest),

- Expectations held for each of the loyalty drivers, and
- The financial impact on income flows from guests and prospects that changes in employee engagement and behavior will bring about.

The study also measured the degree to which employee engagement with the 28 process activities aligned with items that drive guest loyalty.

Telephone interviews were conducted with 353 guests and 110 employees. Given the lack of meaningful brand differentiation for virtually every brand in every product and service category, 70% (maybe more in some categories) of the decision to become engaged with a brand, *i.e.*, act positively toward a brand, is *emotionally-based*. That is why rational, direct Q&A-derived assessments alone, *i.e.*, “how satisfied were you with your stay” questions, are lacking in their abilities to identify real engagement effect, recognizing that to know you, is *not* necessarily to be engaged with you.

Based upon the reality of the 70:30/emotional-rational engagement ratio, the study utilized engagement assessments that are a combination of psychological inquiry, direct inquiry, and higher-order statistical analyses. This approach allows marketers to *predictively* identify and measure emotional and rational sources of brand loyalty and engagement.

The engagement algorithm identifies the top four drivers of loyalty and engagement. It also identifies how category and consumer attributes, benefits, and values – in this case, twenty-eight (28) front desk/lobby process items – come together to form the component “parts” of those drivers. Additionally, the assessment output calculates the individual percent-of-contribution each makes to the driver, and therefore, loyalty and engagement.

These data allow for a two-stage analysis:

- 1) The identification of the loyalty drivers that “describe” what guests want from the check-in/lobby experience, and

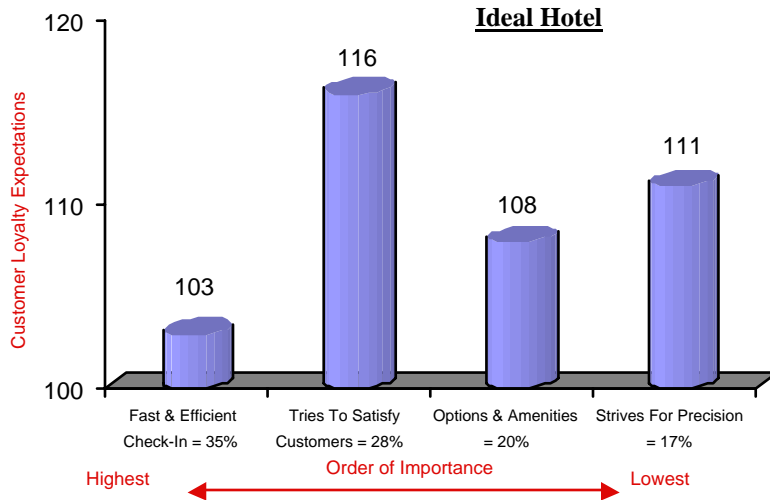
- 2) How the guest values related to financial outcomes.

Study Insights

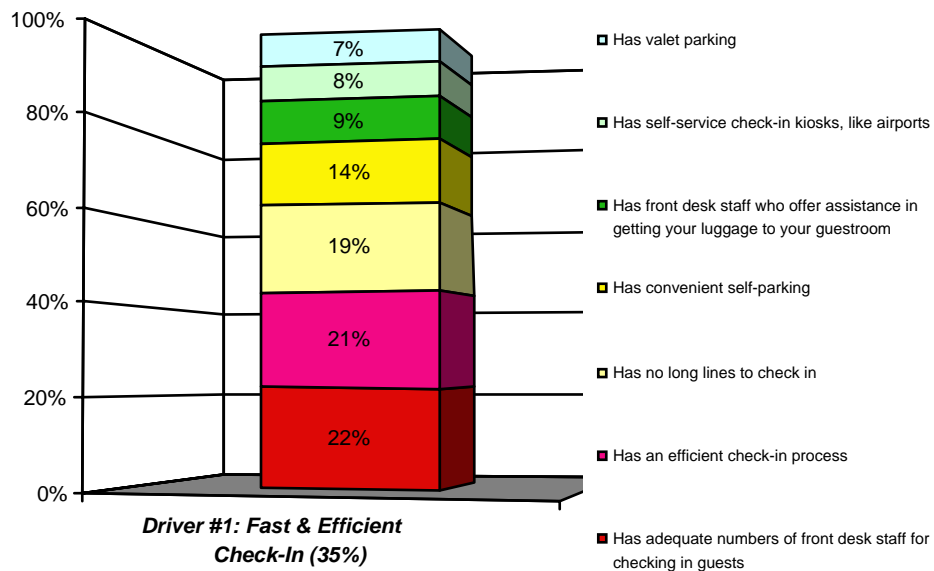
Three critical findings were revealed from the data:

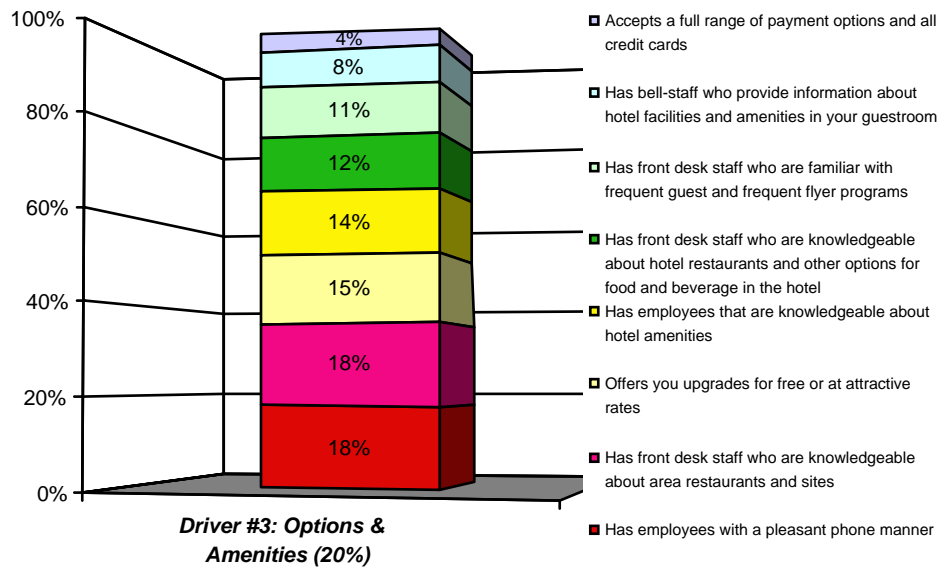
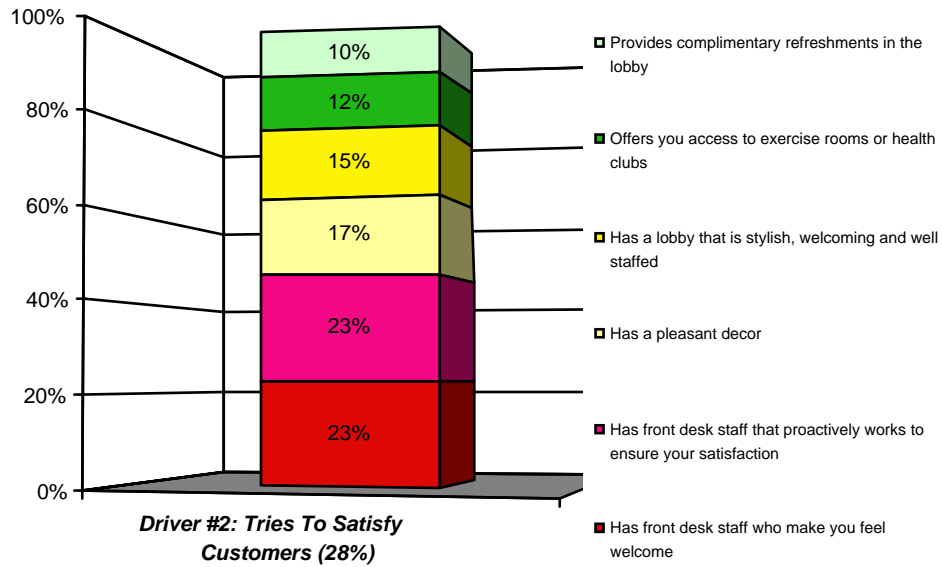
- 1) Regardless of whether the hotel was primarily Business or primarily Leisure, the same four drivers of hotel value emerged among the sample of guests interviewed, in the same order of importance.
- 2) The four loyalty drivers were given their names based upon an examination of their attribute, benefit, and value components, and have been identified as follows:
 - Fast and Efficient Check-In
 - Tries to Satisfy Customers
 - Options and Amenities
 - Strives for Precision
- 3) From an employee standpoint, there is a lack of consistent similarity in the order of hotel value driver important from one venue to another, or from one individual hotel to another, which would suggest the need for strategic alignment programs.

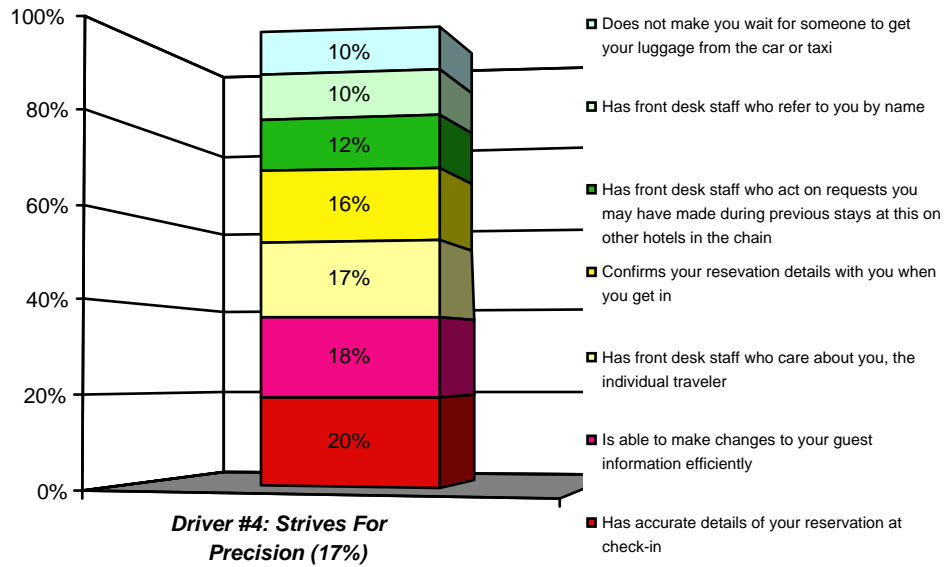
Category loyalty drivers for the Ideal hotel were identified as follows:



The individual loyalty drivers, their component attributes, benefits, and values, and the percent-of-contribution each item makes to profitability were:







Once these factors had been identified and quantified, a statistical analysis to connect the loyalty drivers to guest visitation and spending behavior was conducted. The guest data that was provided by the international hospitality brand covered the three-year period of time from 2003 through 2005.

Four aspects of the guest behavior were evaluated, and included;

- Total Spending
- Total number of visits
- Total nights spent
- Spending per visit

with the following overall findings:

<u>2003-2005</u>	<u>Mean</u>	<u>Std. Dev</u>	<u>Min</u>	<u>Max</u>
Total Spend	\$869	\$997	\$62	\$10,633
Total Visits	1.2	1.2	1	17
Total Nights	3.3	5.9	1	70
Spend Per Visit	\$724	\$679	\$62	\$5,141

The predictive model developed for this project explains the different levels of visitation and spending behavior as a function of the four loyalty drivers. As such, the model measures the link between the psychological (rational and predictive) drivers and the four metrics of guest behavior using a variety of statistical approaches, linear and nonlinear, to adjust for what turned out to be, skewed spending levels among the sample of guests interviewed.

Predictive Modeling

Results of the predictive modeling and financial analysis were as follows:

Of the four loyalty drivers, only one – Tries to Satisfy Customers – was a significant determinant of total spending dollars, with a coefficient of 2.27. This means that a 10% increase in a customer's score on that driver will yield a 22.7% higher level of spending.

Of the four loyalty drivers, Tries to Satisfy Customers, was also a significant determinant of total spending per visit, with a coefficient of 2.03. Here, a 1-% increase would yield a 20.3% increase in spending per visit.

As might have been expected, the number of visits to the hotel and the number of nights stayed at the hotel were not affected by any of the four loyalty drivers, the need to travel and the time spent on a business trip or vacation being entirely outside of the control or influence of the hotel venue or process itself.

COMPARISON ACROSS SPENDING GROUPS – MEAN SCORES				
<u>2003-2005</u>	<u>Fast & Efficient</u>	<u>Tries To Satisfy</u>	<u>Options & Amenities</u>	<u>Strives For Precision</u>
Top 20%	105.0	113.5	104.8	98.7
Bottom 80%	103.7	107.8	103.2	101.2
Top 33%	104.3	111.8	104.3	99.2
Middle 33%	104.7	107.7	103.6	102.0
Bottom 33%	102.9	107.8	102.6	100.8

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Bottom 33%	102.9	107.8	102.6	100.8

Conclusions

The methodologies employed in this study confirm that the employee engagement and behavior be linked to guest expectations and potential “future value” created by better managing the guest experience can be calculated. By doing so, hospitality brands can identify the kinds of leveragable experiential components required to build loyalty and profitability.

The paper and approach proves that employee engagement – and employees’ abilities to align their attitudes and behaviors with guest expectations – is the *experiential* first contact touch-point that *can* profitably differentiate one hotel from another and can finally link guest loyalty drivers to employee engagement.

By identify the financial value of employing internal programs to change employee behaviors, the approach provides a practical way to consider return-on-investment measures in corporate planning situations allows management to more strategically sequence initiatives that address experiential touch-points, by quantifying what financial value will be derived from increased attention to select, touch-point activities.

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