

A good night – 100% guarantee

David McCaskey looks at Travel Inns' 100% Good Night Guarantee programme, following up his account of the extraordinary growth of the lodge sector within the UK hotel industry in the October 2000 issue.

In my article on 'The Lodge Phenomenon', The Whitbread Hotel Company's Travel Inn brand was identified both as the market leader and as meeting all the criteria necessary to be classified as a 'Leadership Brand'¹ One of the criteria for which was

Leadership was earned not given

Whitbread were seen as providing a template on how to move into the future...

One has come to expect innovative and mould breaking strategies to be developed by them, all the rest are followers.

This classification was further endorsed when, on 8th January 2001, they launched, on nationwide television, their 100% satisfaction guarantee across all 262 Travel Inns.

Here, I examine and evaluate this exciting and innovative programme which will further serve to differentiate the brand and underpin its brand proposition as

The UK's favourite place to stay

Following some two years research and development into guarantee programmes, Travel Inn felt that the brand was consistently delivering. The excellent grades against mystery-shopper ratings, high degree of repeat custom and good performance in guest satisfaction surveys confirmed that they could contemplate a Good

Night Guarantee pilot. The UK lodge sector, where they are the market leader, is reaching the peak of its growth phase. At this stage, policies need to be introduced which would maintain their leadership and significantly differentiate the brand to ensure customer lifetime preference. Noted failures in this area may be readily observed in Marks & Spencer and in Sainsburys. Neither developed policies to reinforce their leadership and both reacted too late when it all began to drift; their steady decline is recorded daily.

The guarantee was first piloted in five Travel Inns (including Roadside, Metro and Capital operations) over an initial ten-week period. It proved to be such a success that these Inns continued to operate the scheme for the next four months before being joined by the rest of the brand in the nationwide launch.

The key objective of the trial was to identify the 'guarantee readiness' requirements to enable the satisfaction guarantee to be implemented.

The author observed the pilot in operation at the Euston Travel Inn Capital. On check-in the receptionist would, proudly, introduce the scheme to the guest and present them with a leaflet which is shown opposite.



Results from the pilot

The forecast for 'invocations' in the pilot was that 0.5% of rooms revenue would be refunded. This was based

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on TARP research and on the experience in the US of Hampton Inns. The pilot from 20 March to 22 September resulted in 0.49% revenue refunds.

It is important to recognise that refunds are seen as an investment in customer loyalty and not a cost. This is a viewpoint very similar to that of Tesco, when they introduced their Refund or Replacement guarantee, launched on TV by Prunella Scales when she returned a fish to the now famous line 'I don't like this fish, it doesn't smile'.

Reicheld and Sasser in *Zero Defects: Quality comes to Services* found that Service businesses have their own 'scrap heaps' not of wasted or spoiled goods and materials, but of customers who do not come back.² They determined that 'Customer defections have a powerful impact on the bottom line. As well as the usual factors associated with competitive advantage, profits rise as a customer's relationship with a company lengthens. Companies can boost profits by 100% by retaining just five per cent more of their customers. Reicheld, of Bain

and Co, later published *The Loyalty Effect* which is the foundation study on which today's Customer Relationship Marketing (CRM) is based.³

The incremental number of refunds from the 100% is estimated to be 0.25% of rooms revenue from the pilot Travel Inns. Half of the refunds would have happened anyway, but would not have been tracked, or more importantly, the causes not fixed. Tracking is essential, all refunds and reasons are recorded centrally, this enables all lodges to share their experiences, through this to adopt best practices and to protect against fraudulent use. Recorded faults to date indicate occasional reception and housekeeping lapses and noise as being the major causes for invocations. Complaints to head office from the pilot Inns have stopped entirely.

In interview, Ruth Hutchison, Business Quality Manager for Travel Inn and very much the *champion*

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for the 100% guarantee scheme said 'This is about the long term resolution of our standards. In setting this superordinate goal we have succeeded in energising and focusing the whole company towards one vision. This is best illustrated in the Ashridge Mission Model as shown overleaf.⁴

The four components of this are, on evidence presented, met by Travel Inn. They are:

- 1 An inspirational definition as to what an organisation is there for. 'The UK's favourite place to stay'. Unlike British Airways, this claim is sustainable. On an average night, some 15,000 people are sleeping in Travel Inns.
- 2 The organisation strategy in terms of its commercial logic, its distinctive competence, its positioning and its source of competitive advantage are seen as coherent and achievable.
- 3 The policies and behavioural standards, defining how managers and employees should behave are explicit, transparent and upheld via

SATISFACTION GUARANTEED

We guarantee good quality rooms, friendly service and comfortable surroundings— everything you want for a good night's sleep.

If you're not completely satisfied, we don't expect you to pay

Travel Inn

Everything you want for a good night's sleep

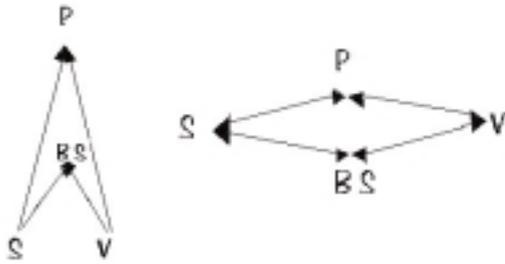
SATISFACTION GUARANTEED

Welcome to Travel Inn
We guarantee you everything you want for a good night's sleep

Our aim is to provide you with good quality accommodation and friendly service. We'd ask you to tell us when we get it wrong — if we can't put it right, we don't expect you to pay.

This guarantee covers your night's stay and your Travel Inn breakfast. We'll be able to help you day or night, so please contact any team member should you have a problem.

This guarantee was implemented in five Travel Inns – Coventry, Derby (East) Euston, Nottingham (West) and Norwich.



training and example.

- The beliefs that constitute an organisation's culture and underpin its management style inculcate a strategic logic for doing things which is based on moral and value based reasons.

A strong sense of mission comes about when personal and organisational values match and when the four elements are closely knitted together i.e. when they support and reinforce each other. Ruth continued, *this is not about refunds; it is about a promise to deliver total satisfaction. This has been a real hearts and minds operation to be shared and won over at every level.*

Bennis and Nanus in their well-known text on leadership discuss the essentials of vision in ways similar to that espoused by Travel Inn MD Carl Leaver,

To choose a direction, a leader must have developed a mental image of a possible and desirable future state of the organisation... The critical point is that the vision articulates a view of a realistic, credible, attractive future for the organisation, a condition that is better in some important ways than what now exists.⁵

Hamel and Prahalada suggest five factors for judging the relevance and appropriateness of the vision statement.

- Foresight** What imagination and real vision is shown? Over what time frame?
- Breadth** How broad is the vision of the changes likely to take place in the industry and of the forces that will lead the changes?
- Uniqueness** Is there an element of uniqueness about the future? Will it cause competitors to be surprised?

- Consensus** Is there some consensus within the organisation about the future? If not, there may be problems if too many different visions are pursued at once.

- 'Actionability'** Have the implications of the current activity been considered? Is there basic agreement on the immediate steps required? Have the necessary core competencies and future market opportunities been identified?⁵

Following a series of discussions with Travel Inn management, over a period of time, all of these factors were apparent prior to the brand wide launch.

Implementation

As could be expected, a very wide-ranging and thorough implementation plan was carried out prior to the nationwide launch.

This involved the setting up of four national road shows in October to internally launch the guarantee scheme to General Managers and Lead Receptionists. The theme chosen for the presentations was 'Who Dares Wins'—New Frontier teams preparing to win in the marketing war, a bold new initiative for the brave.

A large number of regional training courses were held with GMs and 'in-house trainers' this cascade effect was further developed with all team members participating in three two-hour training sessions. In addition each Inn was called on to carry out a quality audit, through such measures the whole brand was prepared and confident of a successful launch.

The launch

The guarantee was launched nationally on the 8th January 2001. Released on Television via a series of advertisements, 40-second 'Sleeping Beauties' and 20-second '100% Guarantee' slots supported by a wide-

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ranging press campaign alongside local radio where interviews were staged with Ruth and Carl. The guarantee has now been in successful operation, at the time of writing, for ten weeks. Feedback is not dissimilar to that experienced during the pilots. Invocations are driven by the leisure customer, most are claimed in the morning when the opportunity to redress is over. As a result of the good training, over 65% of paybacks are

proactively offered by team members.

Certainly one of the anticipated areas for change was in staff morale, where the results from the pilots exceeded even the highest expectations. Before and after the pilot, VIEWS surveys were carried out internally. Team members completed a questionnaire anonymously about their job, environment, management etc.

Analysis which compared pre- and post-pilot responses showed a very direct positive impact on employee satisfaction.

- ❑ Overall satisfaction increased by a staggering 26 points
- ❑ The number of team members who were seriously considering leaving reduced from 25% to 13.5%
- ❑ Team morale within Travel Inn increased by 12%
- ❑ Team member involvement in decision taking increased by 15%
- ❑ Two-way communications grew by 12%
- ❑ 100% of team members thought that the guarantee was a good idea and all thought that it should be rolled out to all Inns.

Some of you may be familiar with a similar scheme introduced in the US in Hampton Inns. Their scheme *champion* was Christopher Hart and it is he who is helping to guide the Travel Inn implementation.⁷

Should a customer wish to invoke the guarantee, all staff are empowered to do so unequivocally. All that is required is that the nature of the complaint is registered both at the hotel and head office to help build out the problem and to aid the learning of all.

Later research will compare and contrast the long term finding at Travel Inn to those found in the US. Extracted and abridged are some of the issues Chris Hart identified for developing guarantees, against which the Travel Inn data disclosed so far may be considered.

- ❑ Service guarantees can help companies institutionalise good performance. Committing to provide error-free service can help a company provide it.
- ❑ A strong service guarantee enables managers to control organisations, setting the goals and providing the necessary data to improve performance.
- ❑ A guarantee should be written in concise language that pinpoints the promise.
- ❑ A service guarantee loses power in direct proportion to the number of conditions it contains.
- ❑ The best service guarantee promises customer satisfaction unconditionally.
- ❑ A customer who is dissatisfied should not have to go to excessive lengths to invoke a guarantee, as this lengthy process will only increase dissatisfaction.



Carl Leaver, Travel Inn MD

- ❑ Similarly, a customer should not be made to feel guilty about invoking the guarantee, with payouts being quick and easy
- ❑ When writing the guarantee it should not be shrouded in conditions.

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- ❑ A service guarantee which is risk free to the company will be of little value
- ❑ A service guarantee forces a company to understand the where, when and how of its failures.

Perhaps the most obvious reason for offering a strong guarantee is in its ability to boost marketing. A guarantee to fulfill their promise encourages a customer to buy as it reduces the risk element of the purchase decision. It also generates more sales to existing customers by enhancing loyalty.

However, as Ruth Hutchison would insist, this is not simply some marketing gimmick, it captures the total company ethos and will play a key role in developing

and building their competitive advantage. Providing a strong guarantee is not easy, which is precisely why the competitive advantage exists. This is intended to give Travel Inn a couple of years head start and all the benefits of first mover status before the me-too and fast followers adopt similar schemes.

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In the US, following the Hampton Inns example, a rash of guarantees broke out in the American hotel industry, a few followed the stringent route described here. Most purely paid lip service often reneging on refunds and introducing a range of small-print conditions which diluted the power of their guarantees. Comparisons may be made with McDonald's promise to inspect and restore their toilets, every hour on the hour, a promise which they fulfill. All across the UK you can find this sign displayed in hospitality and retail businesses where it is patently obvious that this is empty and meaningless cant.

The future for the UK budget hotel sector

A quote adapted from Robert C. Hazard, President Choice Hotels in 1994 will serve to set the scene,

*the period 2000-2010 will be the most competitive in the history of the UK Budget Hotel industry... every lodge must become more market driven, improving its product to create a unique, sustainable competitive advantage and a perception of greater value amongst its guests.*⁸

In his vigorous reassertion of how strategic advantage may be gained through differentiation, Porter stated,

*A company can only outperform rivals if it can establish a difference that it can preserve. It must deliver greater value to customers or create comparable value at lower cost or do both.*⁹

Through this process of differentiation a Porter, affirms that, 'the arithmetic of superior profitability then follows: delivering greater value allows a company to charge higher average unit prices, greater efficiency results in lower average unit costs', thus we achieve a virtuous circle.

In this decade the rapid growth phase for lodges will slow as the market reaches maturity and becomes saturated. Most forecasts set this at a penetration somewhere between 20% and 25% of the UK hotel market.

There will be significant presence both at the roadside, in suburbia, in inner cities and in London. The market will also be more clearly defined in terms of price/quality positioning clusters, from super-economy (backpackers) to upper market economy.

The majority who will be middle market players, at present this cluster comprises Travel Inn, Holiday Inn Express, Travel Lodge and Premier Lodge. They will, by then, have achieved most of their planned critical mass and network location ambitions and will have resolved such current issues as the provision of telephones in bedrooms, the addition of conference/meeting rooms etc. These additions, often referred to as *facility creep*, need to be thoroughly researched in terms of real customer requirements, as opposed to simple copycat extras, as they are all added cost items.

There will be an intensification of competition. Over the decade, supply growth will start to outstrip demand growth. Increasingly the stronger players will have to fight each other rather than simply take business from the weaker players as they do at present. Shane Harris, Vice President of Holiday Inn Express observed in 1998 that,

*The budget sector is over supplied with non-branded, poor quality, inconsistent hotels. These will be overtaken by the branded budgets which are currently undersupplied.*¹⁰

Pricewaterhouse Coopers (July 2000) identify brands as the largest element of an organisation's intangible value. They too determined the brand's ability to enhance shareholder value with brand strategy as essential in developing competitive advantage. The branding philosophy has moved from product marketing to service marketing and corporate brands need to consistently reflect the competencies of the organisation. For the author, this sets the agenda for 'the most competitive decade in the history of the UK Budget Hotel industry'.¹¹

Those companies who, like Whitbread Travel Inns, are flexible, innovative and implement this all-embracing new customer-centric branding approach will emerge as the winners in this remarkable and fast growing sector.

David Thomas's concluding statement, in his speech to the Joint Hospitality Industry Congress, encapsulates the way forward.

*My message is a simple one. Our customers are well informed and have plenty of choice. They shop around for good value. If we provide it, they will reward us — and in turn this enables us to reward our shareholders.*¹²

Stop press

As we close for press, news was breaking of the opening of the first Golden Arch Hotel by McDonald's, in Switzerland, with two more to open shortly. How significant this is for the European lodge industry is a matter for speculation, certainly there is much potential for this new arrival should they select this as one of their major and much needed growth strategies for this decade.

Against the background of a maturing market and beef health scares in their core burger business, McDonald's has been highly active in seeking alternative markets as vehicles for their long term growth. The reasons are obvious when we examine their most recent financial results. They have just reported their first quarter of declining earnings per share in 36 years as a public company. Its EPS declined 2% and net income was down 7%, their shares are standing at 44% below their 1999 peak.

In the UK their recent high profile purchase of a third of the equity in Pret a Manger has been the subject of much discussion and analysis across all media. Their building of stakes in other food service businesses is often not so well recognised, to date they have acquired in part or wholly Boston Chicken, Chipolte Mexican Grill, Donatas Pizza and Aroma, the UK chain of coffee and sandwich bars. In the US on 19 March they launched their first prototype 'McDonald's with the Diner Inside' which extends the core burger operation by adding Classic American dishes offered with full table service. The total menu now has 122 different items available. McDonald's with the Diner Inside is seen as a test that fits into their overall strategy to capture more meal occasions.

All of these experiments need to be set against McDonald's core competencies or critical success factors. They have great expertise in rolling out and replicating brands. Their driving mission of QSCV, Quality, Service, Cleanliness and Value is entirely transferable to other businesses where brand policing, maintenance and coherence is seen as essential to success.

They have almost unique experience as a global service operator with a facility in real estate, planning, labour issues, supply specification and sourcing and all the complexities of how to get businesses up and running. They can attract significant franchise investment enabling any brand extension which they decide to develop to achieve high profile and a critical mass with remarkable speed.

So, should they decide to pursue the development of hotel/lodge units, they could very quickly become a major player in this European market.¹³

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Following hotel school at Portrush in N Ireland, David spent some twelve years with Strand Hotels (J Lyons & Co) in various management positions. After their takeover, he managed a small provincial hotel for two years before entering teaching at Colchester Institute Centre for Management Studies. He holds an MBA, has recently been confirmed as a Chartered Marketer and is in the throes of a PhD—applying soft systems theory to the structure of UK and global hotel industry.