

Analysis

When the going gets tough... the tough get going¹

Marriott Hotels UK responds to 9/11

The Whitbread Hotel Company is the UK's largest hotel company. As the Marriott International franchisee, it manages 62 Marriott Renaissance and Courtyard Hotels. David McCaskey and Ruth Hutchison describe a remarkable service and culture-change programme, implementing the ideals of Bill Marriott, the brand's founder, which has sustained its results in difficult times.

Marriott shows remarkable resilience and its interim results for 2003-04 continue to outperform the market. These results need to be set against a background of one of the most difficult trading environments ever experienced by both UK hotel businesses and by the hospitality industry worldwide. As Guy Hands, of La Meridien and Nomura fame moaned 'all we need now is the plague of frogs' to add to the misery suffered over two years by the industry: first from the US economic downturn, followed by foot-and-mouth disease, then September 11th, finally culminating with SARS.

Marriott's RevPAR surpassed the market by an average of 16 percent whilst its profit per available room (ProfPAR) was better than that of its three leading competitors. Occupancy remained at 72 percent with Average Achieved Room Rate (AARR) 5 percent down, explained by the changes in the sales mix, as tourist and conference guests replaced business or corporate travel. Whitbread expressed confidence that current and predicted trading shows future bounce-back in their Marriott Hotels operations.

Marriott's like-for-like sales have improved as the year has progressed and reflect the gradual recovery in the market. Although the pace and timing of the recovery remains uncertain, we have identified considerable opportunity to further improve our profit per room as the market returns to growth.²

Immediately following the terrorist atrocity of September 11, corporate and leisure demand nosedived. London losses were dramatic with yields drop-

ping by up to 30 percent. Marriott reacted to this with determination. On one side, some redundancies were achieved through clustering their functional specialists; handing human resources (HR) and finance to

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one cluster manager serving a range of two to five hotels. However, their main thrust was to introduce two programmes which realised additional sales potential at each hotel and through further development of cultural change to underpin and nourish staff morale.

Spirit to Serve and Spirit to Sell

These two programmes—'Spirit to Serve' and 'Spirit to Sell'—are the prime focus of this article. Spirit to Serve is part of a cultural-change programme aiming to move Marriott's provision from good service to excellent service. In the BDRC 2003 survey of 'Frequent GB business hotel-stayers' Marriott hotels were already the first-choice hotel chain.

In this context the Spirit-to-Sell programme was launched to offset the downturn from 9/11. Marriott calculated that, if sales from each customer increased by £5 and one in ten customers chose to return to stay, they would not miss their declared mission of achieving

£11,000 profit per room per year (ProfPAR) a new industry standard for measuring hotel performance.

The RevPAR v ProfPAR debate.

Most of the major international hotel consultancies have recently recommended the adoption of profit per available room (ProfPAR) as a better and more comparable measure of hotel performance.

PKF ask 'Does RevPAR miss some important economic phenomena that ProfPAR reveals?'

Operating profit from hotels represents the operating decisions made by an owner, or in many cases by the management team employed. As a result, operating profits show how successful managers have been in generating income from property operations. RevPAR however only reflects rooms revenue which is influenced by factors managers cannot control, such as business travel and the general economy whereas, RevPAR is based on operating profit, which accounts for movements in both revenues and expenses. PKF's examination of a 20-year trend of profit margins illustrated that profit and revenues do not always follow the same trend. As a result, examination of unit-level profit is a logical next step in establishing RevPAR as the industry standard for measuring hotel performance.³

HVS International use the term Gross Profit Per Available Room (GOPPAR) (Goh-Par) and come to not dissimilar conclusion but advocate the retention of RevPAR as a complement to GOPPAR.

RevPAR indicates the performance of a hotel in terms of rooms-inventory management and provides some general market trends; however it provides no cost indication of a hotel property and therefore how much money it is actually—or could be—making. GOPPAR provides

a deeper indication of a hotel's profitability, considers management control and efficiency and thus offers an overall more robust performance measure. GOPPAR has a significant correlation with a hotel's bottom line and thus its underlying value. The use of GOPPAR as a complement to RevPAR for hotel-performance analysis will enable better investment appraisal rather than sole reliance on RevPAR.⁴



As the UK's No 1 golf hotel operator, Marriott launched its Junior Golf Programme in March 2004. Marriott Hotel & Country Clubs hosted an Open Weekend of junior golf activity – weekend taster sessions, completely free of charge.

Certainly when Whitbread presented their October 2003 Interim Results, using the profit per room criteria, they were well received in this new format in the City.

The Marriott heritage

In 1995 the Whitbread Hotel Company (WHC) entered an agreement with Marriott International to become UK master franchisee for Marriott Hotels. This significantly increased Marriott's representation in the UK and gave Whitbread's hotels all the benefits of a major global brand. These strengths included

- ❑ Marriott's considerable customer base (many of whom were already part of the Marriott Rewards CRM scheme)
- ❑ access to a global distribution and referral system
- ❑ an in-depth presence in the important UK market for Marriott International.

Both sides of the arrangement benefited. There was a strong cultural empathy readily evidenced by the warmth of relationship and an agreed way of doing business between Bill Marriott Jr, chairman and CEO of Marriott International and WHC Managing Director Alan Parker who will become CEO of Whitbread PLC from June 2004.

Bill Marriott's winning formula for the hotel industry may be found in the pages of his best selling book *The Spirit to Serve, Marriott's Way*.⁵ While folksy in style, packed with business homilies and 'motherhoods', it

extols the fundamental values of the company

- humility
- hard work
- respect for others
- to 'preserve order amid change'
- to stay grounded in the corporate culture and its core values while adapting to a changing market.

Bill Marriott eschews the *'intellectualising of business school professors, following fads, or listening to the rantings of management gurus'*.⁶ He traces Marriott core values and purpose back to the personal values of his father and company founder J Willard Marriott. Key values include the belief that people are number one

- *take care of Marriott people or associates and they will take care of Marriott guests*
- *a commitment to continuous improvement and overcoming adversity*
- *a good old-fashioned dedication to hard work and having fun while doing it.*⁷

There are echoes here of Prêt a Manger's 'Let's have fun and get the work done'.

The 'Spirit to Serve' programme, derived from Bill Marriott's book (which is available in every Marriott hotel bedroom) has served to shape and integrate the organisational culture since 1997. The prime purpose of this programme is to draw the company along the continuum from giving good service, confirmed via an array of research results, to achieving their goal of delivering consistently excellent service and through this, providing really memorable experiences.

As one of the present authors has argued

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Fundamental to any service is the promise to deliver. When the 'experience' we provide and continue to provide fulfils that promise, we engender trust. This is a

*prerequisite to the development of a long-term relationship leading in turn to customer loyalty and extending the possibility of achieving the lifetime value of that customer and their advocacy or recommendation.*⁸

Central to this process is that 'experience', Pine and Gilmore who have written extensively on the emerging experience economy take the view that

*This is a distinct economic offering, as different from services as services are from goods... Consumers unquestionably desire experiences and more and more businesses are responding by explicitly designing and promoting them.*⁹

Services, like goods before them, have become commoditised, leaving experiences to become the next step in the progression of economic value. This determines that the next competitive battleground for hotel companies will lie in staging experiences which serve to differentiate your brand. An experience occurs when

A company intentionally uses services as the stage, and goods as props, to engage the customer in a way that creates a truly memorable event.

*Commodities are fungible (interchangeable), goods tangible, services intangible and experiences memorable.*¹⁰

The programme unfolds

In her presentation of the programme, Marriott HR Director Amanda Ravey affirmed that Spirit to Serve is concerned with creating a unique service culture which

would distinguish the Marriott brand. A three-pillar approach was adopted to explain the change and to drill right down to what specifically was being driven through the organisation. The pillars are anticipation, positivity and accountability.

- **Anticipation** goes back to those millions of customers using our hotels for different occasions. In order to provide excellent serv-



ice, our people have to understand those customers and those occasions and have to be able to anticipate their needs.

□ **Positivity**

is about creating the desire and belief to deliver excellent service. This is our people telling themselves that they can do better than anyone else at wowing every customer.

□ **Accountability**

is about everyone in the organisation being directly responsible for delivering excellent customer service. This is not a 'nice to have'. It needs to be there 24/7, from the duty manager at midnight on Saturday, to the waiter at breakfast on Sunday and from the golf professional giving lessons on Wednesday evening.¹¹

To introduce and to create this service culture step-change, Marriott adopted a rigorous training and development schedule. They took a three-step process

- 1 Start with the leaders
- 2 Take it to the people who matter—do not leave it to chance
- 3 Be uncompromising in aligning the organisation in every way to the Spirit-to-Serve culture.

They recognised the significance for an organisation trying to achieve cultural change of growing service-leaders or champions. They also noted that the stage of taking it to 'the people who matter' was where several other comparable programmes seemed to fail.

A three-pillar approach was adopted to explain the change and to drill right down to what specifically was being driven through

Often senior managers would be sent off with presentations and be told to spread the word or cascade the process. So thousands of pounds are spent on the top two to three hundred managers and very little could easily have been spent on the 10,000 Marriott associ-

ates who really impact the brand.

To avoid this pitfall, Marriott developed four Spirit-to-Serve modules which they aligned to the three cultural pillars.

□ **Beyond Expectations**

This means anticipating guest needs and looking for ways to WOW them.

□ **Being Positive**

Covers the techniques of positive thinking and 'can do' attitude.

□ **Better and Better**

Covers how an employee can take responsibility for the guest experience through listening, questioning and if necessary, service recovery.

□ **You at Your Best**

The balanced scorecard, by which Whitbread assesses the experience, measures:

- profit
- guest satisfaction
- labour turnover
- profit per room.

All existing staff and new associates within their first ninety days have these modules presented to them. These presentations are followed by ongoing mini-training sessions, short-takes over 15 minutes that everyone has to go through regularly. They cover all areas of customer

service excellence and can be used either when there are particular issues coming out of guest feedback or if the hotel feels the need to refresh certain areas.

The penultimate event is the Daily Basics. The elements of excellent customer service are broken down into 20 Spirit-to-Serve Basics and, every day in every Marriott hotel around the world, there is one of these Daily Basics where every associate is focussed on customer service excellence.

Finally, every morning there is the '10 at 10' which is 10 minutes at 10 o'clock where the management team discuss the basics of the day, the events, occasions and guests that are in the hotel and think hard how they can apply their skills and tradition. So, as you can see, this takes the Marriott brand to everyone in the organisation and then distils it into one bite-sized chunk every day.



Rewards and recognition

All Marriott associates have individual balance scorecards to achieve targets against a series of key performance indicators (KPIs). The main criteria for measurement are profit, guest satisfaction, labour turnover and competitive performance.

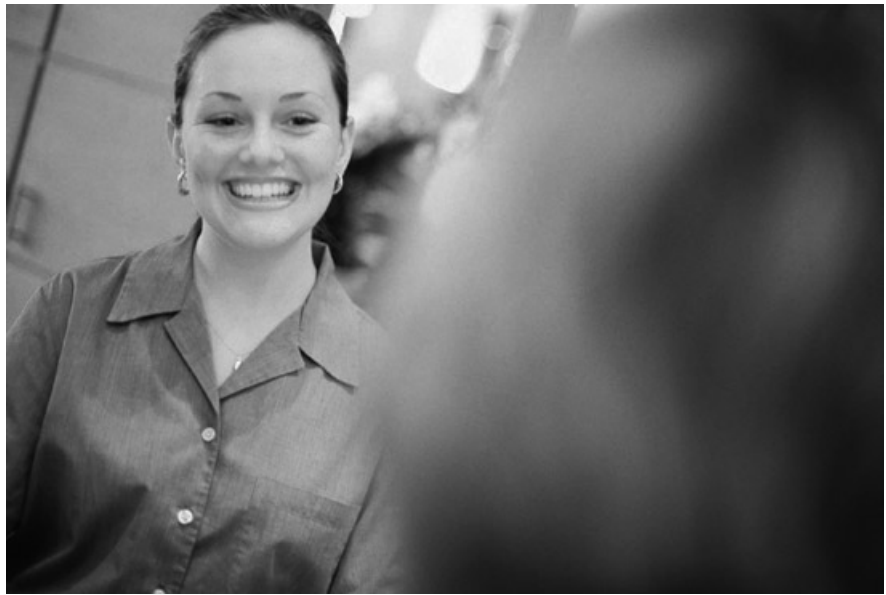
A traffic light system is used where

Red = worse than last year

Yellow = better than last year but below target

Green = the hotel is meeting or beating target.

Whilst there are a lot of KPIs and action plans underneath this, Marriott Hotels try to keep it simple. This means that every person in every hotel knows how the hotel is doing, and how the hotel is performing against its targets.



Marriott, a great place to work

As Bill Marriott would agree, Marriott has to achieve cultural change through looking after our associates otherwise staff might think, 'It's all words, why should I look after the customer when no one can be bothered to look after me?'

So, a big part of the cultural alignment was creating a great place to work. Apart from rewards and recognition, it's important to get the basics right. For example, they spent a lot of money bringing the Swallow hotels they took over up to Marriott brand standards. But what really amazed Swallow employees was that they also spent £3m on the 'back of house' employee areas—those parts where employees get changed, take their breaks and which no customer will ever see. When the MD and Board members visit hotels, they always ask to see associate areas.

That Marriott is a great place to work was confirmed by the publication in 2002/03 two independent, press-sponsored research surveys. Marriott was 50th in the *Sunday Times* 'Best Companies to Work For' survey and 14th in the *Financial Times* 'Best Workplaces UK' survey. They particularly valued these results as, from the HR perspective, this was success measured by independent research with their

own people or associates. No other hotel company appeared in these ratings and Marriott was shown as better than such illustrious companies such as Marks & Spencer and IBM.

Some independent views

Richard Teare studied the UK hotels which transferred from Scott's Hospitality of Canada's UK Holiday Inns to the Marriott franchise in 1992. He found a strong empathy between Scott's and Marriott's management styles.

This was particularly demonstrated in their shared commitment to a total quality management (TQM) philosophy—the principles of listening to customers, adapting and improving, innovating and involving people in the process of continuous improvement ...staff would explain that it was everybody's responsibility to ensure that the guest's stay was perfect in all respects. This duty of care extended beyond specific operational roles to encompass every single detail of the guests stay.¹²

'It's all words, why should I look after the customer when no one can be bothered to look after me?'

Teare demonstrated that 'empowerment' developed and reinforced through the 'What ever it takes' programme ensured that employees felt both comfortable and understood the Marriott standards and philosophies.



The 158-room Victoria & Albert Hotel in Manchester, owned by The Royal Bank of Scotland PLC (RBS), was previously part of the Le Meridien portfolio; Whitbread has taken an operating lease from March 2004. The hotel will be re-branded as a Marriott in March 2005 following a £5m refurbishment by RBS.

Whitbread has also reached agreement for a management contract with Manhattan Loft Corporation, the developers of St. Pancras Chambers, for a 240-bedroom five-star Marriott Hotel. Neither property will be owned or have investment by Whitbread. This signals a strategic move away from the owner/operator model towards an increased emphasis on hotel management.

In a January 2000 study, McCaskey identified the confidence with which Marriott could speak to the UK marketplace and thus differentiate itself through its respected series of marketing communications programmes: 'That's what they call Empowerment' and 'That's what we call Service'. The campaign took double-page spreads in both the leading Sunday broadsheet supplements and in business and travel magazines. On one page there was a colour photograph and on the other a story stemming from Marriott operations which demonstrated the willingness of their associates to find above and beyond the call of duty (ABCD) solutions and go 'that extra mile' to solve guests' problems.

The most memorable stories include

*There were no taxis nor any other ways to take the customer to the airport for a flight he simply had to catch, so I came off reception and drove him there myself. The guest had left without his irreplaceable conference papers. We ensured that they were placed on the next flight so that they would rejoin him and cause him no distress.*¹³

A similar confidence, using a not dissimilar approach to training and empowerment, can be found in Whitbread Hotel's sister company Travel Inns. Since 8th January 2001 Travel Inns 'guarantee a good night 100 percent – or your money back'.¹⁴ The 'champion' for this immensely successful programme – they are ten percent points ahead of their nearest rivals – was one of the present authors, who is now Group Human Resource Manager for Marriott.

De Chernatony addresses the core business and research agenda in an era of change. He considers the nature of an organisation's culture and how to align employee attention on three prerequisites of a powerful brand—its vision, purpose and values.¹⁵ He cites Marriott as an example of a motivating brand whose purpose is

to make people who are away from home feel that they are amongst friends and really wanted.

De Chernatony demonstrates how building and sustaining brands may evidenced in that most visible manifestation of its organisation, through its artefacts. One of these artefacts is its 'stories', where staff may

use hero-stories to convey their belief in customer service. He cites Marriott as an example:

Here staff meet and talk at corporate events, not just to communicate but to help to understand what their organisation stand for. From these meetings, they attain the true meaningfulness of lasting excellence, true value, uniqueness and a realisation of clear-sighted principles. When they see hero stories used in external advertising,

what really amazed Swallow employees was that they also spent £3m on the 'back of house' employee areas

*this helps them better appreciate their culture.*¹⁴

Our last analysis is taken from a text at its most popular in the 1960s when many US and UK companies ran courses in managerial capability based on the approach promoted by Blake and Mouton in *The Managerial Grid*—sub title—*Key Orientations for Achieving Production Through People*. This presented classifications in a grid format for a range of managerial styles present in an organisation. These ranged from total focus on production with little concern for people (at 9.1); total concern for people with little concern for production (1.9); concern for people and production, a bit confused (5.5); 1.1 was management by abdication—finally identifying the ultimate managerial style at 9.9.

A 9.9 manager sees his/her style as follows:

□ *When planning, the right people with the relevant facts and/or stakes are brought together to review the whole picture. Then, I, with them establish goals and flexible schedules as well as procedures and ground rules and set up individual responsibilities.*

□ *Work execution*

I keep familiar with progress, identifying and helping resolve problems and if necessary, revising goals and schedules.

□ *Follow-up*

We learn for the future and give recognition both to the team and to individuals where contribution has been outstanding.

*The general theme of this management style is creating conditions where people understand the problem, have stakes in the outcome, and where their ideas can make a real contribution to the result obtained... People are best able to give of themselves rather than seeking the best for themselves.*¹⁶

In their study, Blake and Mouton found that an organisation which had moved to a 9.9 managerial style

after several years enjoyed sustained growth both for the organisation and its members or associates.

The 9.9 manager's style is very similar to that promoted by Marriott and served them well in generating, implementing and sustaining their Spirit-to-Serve response to the 9/11 disaster. The Spirit-to-Sell module was launched in October 2002 in part moving the emphasis from cost-cutting and the bottom line to the top line and sales. This was an addition to the range of four pre-existing Spirit-to-Serve modules.

In May 2003 Diane Pope, Marriott's Service Quality Manager reviewed the rollout of this programme

□ A cross-functional team of managers was established for the

launch

□ Training toolkits were developed

□ Incentive schemes, based on monthly achievement were implemented

□ Train-the-trainer courses were set up to develop some 200 Spirit-to-Serve trainers

By April 2003 these trainers along with GMs and a range of consultants were imparting the essentials of the programme to Marriott's 10,000 associates.¹⁷

Many of the cross-selling, up-selling and 'simply asking for the order' techniques are classics from gurus like James Lavenson. Lavenson had taken over as the manager of Sonesta's Park Plaza Hotel and had to convert his hotel staff into salesmen and saleswomen.¹⁸

For achievement of agreed results, staff can earn up to £25 a month in leisure vouchers; in addition there are other potential bonuses (part-timers are paid commensurately). Where guest satisfaction surveys (GSS) show a red, ie a result below the KPI, reductions to bonus occur. Some fine tuning has been necessary, eg in housekeeping where it is more difficult to directly attribute revenue increases, and improvement in GSS results can now earn incentives. In the most recent analysis of this initiative period 6 YTD 2003, the Spirit-to-Serve scheme

Generated incremental sales of £1,714,497

Less cost of sales £925,325

Less cost of scheme £295,796

Overall profit earned through scheme £493,376

This should be ongoing and incremental, as sales techniques develop and is certainly celebrated as an in-house success.

Conclusion

There can be no doubt that the Marriott Way, as evalu-

ated here, ensures that they fulfil the challenge outlined by CEO Alan Parker at their May 2003 Business Information Forum:

Our vision of being the very best hotel company for associates, customers and investors is still fundamental to the philosophy of the company. We have come a long way on our journey, and everyone should feel very proud of our achievements throughout an unforeseeable series of world disasters. We need to continue our improvement in sales; we will receive more money to invest if we continue to develop on our promise of a ten percent profit growth year-on-year. The WHC brands Travel Inn and Marriott now make up 50 percent of Whitbread PLC's profits.¹⁹

Whitbread PLC's Chairman Sir John Banham in his comment on the interim results stated

This company is a safe haven in troubled times. The hotel industry has ridden out the storm; the key challenge ahead is to take advantage of the upturn. The company is beginning to deliver ...now is harvest time and we are going to enjoy it.

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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, is a Chartered Marketer and is a Member of The Institute of Learning and Teaching in HE. email: david.mccaskey@colch-inst.ac.uk



Ruth Hutchison is Group Human Resources Manager for Whitbread Hotel Company, responsible for policy, reward and talent management across Marriott UK. Over the last two years she has been developing and introducing creative incentives for all levels of associates to drive sales growth and return on capital employed as well as delivering the balanced scorecard results, managing organisation development and succession planning frameworks which include a graduate programme with an intake of at least 50 each year. Prior to this, Ruth was Head of Business Quality for Travel Inn (a Whitbread sister brand) for three years and was a member of the executive team which led the growth of Travel Inn across the UK, with a new opening every ten days. Her career also involved three years with Thresher (the off-licence retailer), before it was sold by Whitbread, as Training and Development Manager. Ruth joined Whitbread from the Hotel and Catering Training Company (then the commercial arm of the industry lead body) where she was a training consultant for four years. She is graduate of Strathclyde University and an IPD member.