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

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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

I would like to thank the faculty and staff of the University of New Orleans for their assistance and support with this study. I would especially like to thank Dr. Harsha Chacko and Dr. Mehmet Erdem for their guidance and assistance. Also, my sincere appreciation goes to Dr. George Fenich for serving on my faculty advisement committee. The three of you have been a great source of advisement and encouragement throughout this entire process.

I would also like to thank Renee George of Kimpton Hotels for being such a wealth of information, inspiration, and encouragement. Renee, your assistance throughout the course of my study has been invaluable, and I can not express how much you have helped me. Thank you for continually thinking of new things that may be of benefit to the study and forwarding data as you received it. Thank you for being an admirable colleague and a trusted friend.

To Shirley King of Kimpton Hotels, thank you for inviting me to be a member of the InTouch team. If not for the exposure I gained through that very opportunity, I have no doubt that this study would ever have been conceived or completed.

To the rest of the Kimpton, the employees and teammates who have shared their time, their expertise, and their passion for their jobs in order to aide me with everything needed to complete this study. I could not have accomplished this tremendous task without your support.

I would also like to thank Tanya Eckhoff and the Sterling Research Group for their assistance in creating the customer survey and for being so cooperative in sharing their data in such a timely manner.

To Mark Jarman, Rene Arbelo and Jim Freeman of Guestware®, thank you for your quick responses to questions and requests for assistance. I look forward to having the opportunity to work you with you more closely in the future.

Finally, I would like to acknowledge and thank my beautiful wife, Angel, for being my sounding board, my personal assistant, and my muse. Without your love and support, I do not think I would have had the strength or the motivation to see this through to the very end.
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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 of 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
(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.
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
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
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>
<thead>
<tr>
<th>Table 1</th>
<th>Mean score for “How would you rate your overall value for price paid?” by guest type</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>Mean</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td><em>Inner Circle</em></td>
<td>111</td>
</tr>
<tr>
<td><em>InTouch</em></td>
<td>7182</td>
</tr>
<tr>
<td>Repeat Guest</td>
<td>835</td>
</tr>
<tr>
<td>First Stay</td>
<td>13759</td>
</tr>
<tr>
<td>Total</td>
<td>21887</td>
</tr>
</tbody>
</table>

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 use 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

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

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

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

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 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.

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>% “Very Satisfied” Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner Circle</td>
<td>206</td>
<td>4.63</td>
<td>72.3</td>
</tr>
<tr>
<td>InTouch</td>
<td>9609</td>
<td>4.42</td>
<td>56.9</td>
</tr>
<tr>
<td>Repeat Guest</td>
<td>1222</td>
<td>4.45</td>
<td>60.1</td>
</tr>
<tr>
<td>First Stay</td>
<td>17843</td>
<td>4.37</td>
<td>55.8</td>
</tr>
<tr>
<td>Total</td>
<td>28880</td>
<td>4.39</td>
<td></td>
</tr>
</tbody>
</table>

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?”

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>% “Much More Likely” Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Inner Circle</strong></td>
<td>205</td>
<td>4.75</td>
<td>82.9%</td>
</tr>
<tr>
<td><strong>InTouch</strong></td>
<td>9,591</td>
<td>4.44</td>
<td>63.1%</td>
</tr>
<tr>
<td>Repeat Guest</td>
<td>1,222</td>
<td>4.39</td>
<td>60.8%</td>
</tr>
<tr>
<td>First Stay</td>
<td>17,806</td>
<td>4.20</td>
<td>51.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>28,824</td>
<td>4.29</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>% “Much More Likely” Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inner Circle</td>
<td>206</td>
<td>4.56</td>
<td>68.5%</td>
</tr>
<tr>
<td>InTouch</td>
<td>9,580</td>
<td>4.42</td>
<td>59.6%</td>
</tr>
<tr>
<td>Repeat Guest</td>
<td>1,218</td>
<td>4.39</td>
<td>57.2%</td>
</tr>
<tr>
<td>First Stay</td>
<td>17,757</td>
<td>4.22</td>
<td>50.7%</td>
</tr>
<tr>
<td>Total</td>
<td>28,761</td>
<td>4.30</td>
<td></td>
</tr>
</tbody>
</table>

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?”

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Mean</th>
<th>% “Much More Likely” Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Inner Circle</em></td>
<td>204</td>
<td>4.74</td>
<td>82.8%</td>
</tr>
<tr>
<td><em>InTouch</em></td>
<td>9,555</td>
<td>4.48</td>
<td>66.7%</td>
</tr>
<tr>
<td>Repeat Guest</td>
<td>1,213</td>
<td>4.46</td>
<td>65.5%</td>
</tr>
<tr>
<td>First Stay</td>
<td>17,747</td>
<td>4.31</td>
<td>59.5%</td>
</tr>
<tr>
<td>Total</td>
<td>28,719</td>
<td>4.38</td>
<td></td>
</tr>
</tbody>
</table>

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 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

<table>
<thead>
<tr>
<th></th>
<th>Inner Circle %</th>
<th>InTouch Members %</th>
<th>Repeat Guests %</th>
<th>First Stay %</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, I was aware</td>
<td>48</td>
<td>100</td>
<td>2,546</td>
<td>80</td>
<td>250</td>
</tr>
<tr>
<td>No, But I have heard of Kimpton</td>
<td>0</td>
<td>--</td>
<td>202</td>
<td>6.3</td>
<td>38</td>
</tr>
<tr>
<td>No, I have never heard of Kimpton</td>
<td>0</td>
<td>--</td>
<td>436</td>
<td>13.7</td>
<td>90</td>
</tr>
<tr>
<td>Total</td>
<td>48</td>
<td>3,184</td>
<td>378</td>
<td>6,551</td>
<td></td>
</tr>
</tbody>
</table>

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 heard 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](chart)

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.
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
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
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 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

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

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Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

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, Travelocity.com, etc.

- Other (please specify):

[Image of the survey tool]
How would you rate staff friendliness, attitude, and professionalism?

<table>
<thead>
<tr>
<th></th>
<th>Very Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5</td>
</tr>
</tbody>
</table>

**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 our staff were especially helpful, please let us know who they are the circumstance so we can show them our appreciation:

---

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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?

<table>
<thead>
<tr>
<th>Very Satisfied</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall restaurant experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurant food quality</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed/efficiency of restaurant service</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Friendliness and attitude of restaurant staff</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Condition/cleanliness of restaurant</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restaurant value for price paid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please let us know if you have additional comments regarding the restaurant experience:

""
Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

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:

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Appendix I

KIMPTON SURVEY TOOL: Guest Presentation (continued)

During your recent visit, if you had any special needs, such as special requirements, special bath or cosmetic products, wheelchair access, did you 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 stay:

Having Trouble Submitting Your Responses?

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REFERENCES


Bibliography


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.