

## 2009 PERFORMANCE ANALYSIS-QUALITY INN AND SUITES, SEQUIM

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The Sequim, Washington Quality Inn and Suites is a 60-room, limited-service hotel located at River Road Plaza. Quality Inn and Suites is a part of the Choice Hotels International franchise family with the Sequim Quality Inn and Suites owned and operated independently by Wirta Hospitality Worldwide. The hotel's General Manager is Nancy Schade and Damian Humphreys is the Sales and Marketing Manager. The Quality Inn and Suites, Sequim has a history of record performances. The hotel has increased its annual revenue per available room every year since its 2006 opening. Last year was no exception; even during the economic downturn of 2009, the Quality Inn and Suites achieved an increase in annual revenue per available room resulting in record annual revenue.

While the U.S. hotel industry experienced a decrease in revenue per available room of almost 17% in 2009 (Table 1 below), the Sequim Quality Inn showed an increase. The main reason the Quality Inn experienced an increase in RevPAR was the hotel's superior management. Since the Quality Inn opened its doors over four years ago, Nancy Schade has embraced the hotel's vision of "being the primary source of hospitality in the community by providing our customers the best possible experience and by being good neighbors." Nancy and her staff have earned Choice Hotels International Platinum award for the last three years in a row. The Platinum award is given only to the top 3% of Quality Inns worldwide that have excelled in cleanliness and customer service.

	Long Term Average	2005	2006	2007	2008	2009
Supply	1.9%	-0.1%	0.2%	1.3%	2.6%	3.2%
Demand	1.6%	2.8%	0.5%	0.9%	-1.9%	-5.8%
Occupancy	62.6%	63.1%	63.3%	63.0%	60.3%	55.1%
ADR	3.4%	5.5%	7.5%	6.2%	2.7%	-8.8%
RevPAR	3.1%	8.5%	7.8%	5.8%	-1.8%	-16.7%

Source: PKF Hospitality Research, IHS Global Vantage, Smith Travel Research

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Table 1

Damian watched fiercely over his marketing budget to make sure that all money spent saw a high return on investment. He even managed to create profitable marketing partnerships at no cost to the hotel. Damian implemented a partnership with Brand Connection, a company providing gift boxes with branded samples aimed at our target market. The gifts included toothpaste, snack bars, health care supplies, etc. Damian said, "The gift box was waiting for the guests when they checked into their room along with a card thanking them for their business. The program provided a real 'wow' factor."

Damian's biggest contribution was that he was able to align the Quality Inn's marketing strategy with the city of Sequim, the Sequim Chamber of Commerce and the Olympic Peninsula Tourism Commission. The message was that Sequim and the Olympic Peninsula was a value-priced vacation option. This message really resonated with potential tourists as we found out later in the summer.

But the summer seemed far into the future during the first quarter of 2009 when management at the Quality Inn could see that the softening economy was a serious downward trend. The trend became clear by using analytical tools such as monthly revenue vs. budget comparisons and weekly Least Best Estimate (LBE) forecasting. Damian said of their forecasting process, "We never lost sight of our budget target, while holding our expenses accountable to the actual expectation of revenue." Quickly understanding that a potential economic disaster was taking shape allowed Nancy and Damian to take decisive action early.

Management did not panic; instead they created a vision of how they would deal with the challenge head-on. The Quality Inn had outperformed most other hotels in the region and exceeded difficult goals over the last three years, but Nancy and Damian recognized that operating in this new recessionary economy presented even greater challenges. They realized they must quickly identify an action plan and focus on its execution.

The Quality Inn had one of the higher average daily rates for a limited-services hotel in the area, so slashing our prices looked like an attractive option at first. Our variable cost to rent an additional room was very low. In theory we could drop our prices substantially to attract new guests and still contribute to paying fixed costs, but what we'd have ended up with was many guests paying rock-bottom room rates.

This strategy wasn't attractive to Nancy and Damian. Instead they decided to sacrifice occupancy for rate. By keeping the rates high Nancy didn't over-burden our housekeepers and maintenance team because we would rent fewer rooms. The staff to guest ratio increased. The hotel remained exceptionally clean and well maintained. Customer satisfaction for 2009 was at an all-time high and discontent at an all-time low with only one complaint per 2,500 room nights sold.

To increase our declining RevPAR, management developed and implemented the 2<sup>nd</sup> Quarter Marketing Plan. The plan recognized that the Quality Inn's biggest asset was its employees and so their knowledge and ideas were an integral part of the plan. Nancy emphasized her

commitment to providing an award-winning experience for her guests. These twin pillars supported the goal of the Q2 Marketing plan which was to bring new visitors to the hotel. The specific goals of the plan were:

- Turn the decline in budgeted sales in Q1 to an increase in Q2
- Keep staff morale high
- Improve level of guest service experience
- Preserve marketing budget (We ended up increasing it)
- Maintain Average Daily Rate

Every part of the marketing plan was designed with an eye to increasing guest satisfaction in order to be able to maintain our rates. When we implemented stricter budgetary controls on other areas of the hotel like labor costs, Nancy looked at cuts that wouldn't affect room condition or employee morale. We were even able to offer a pay increase which boosted morale and stemmed costly turnover.

During our Choice Hotels Quality Assurance Review of cleanliness and conditions in June, the hotel achieved a 98.5% overall brand standard score. That score was up from 98.1% in 2008. The hotel was awarded another "Exceptional" rating.

Nancy continued her brand of extraordinary customer service. During the year she and her staff were recognized by the Olympic Medical Cancer Center, the Red Cross and they were awarded a plaque and a full dress salute by Commander Submarine Group 9, Richmond California for the hospitality they extended above and beyond the call of duty. At the end of 2009 Nancy received the coveted Choice Hotels APEX award for General Manager Service Excellence. At the beginning of 2010 she was nominated for Choice Hotels Woman Businessperson of the Year.

Employee morale and guest satisfaction was high but revenue was still off, so early on management decided to focus on "Walk-ins" as a cost-effective way to increase revenue. Walk-ins are potential guests who had already positively responded to some form of hotel marketing and arrived at our doorstep or called on the phone. Damian developed a tracking form to capture this information. He tabulated that 15% of our Walk-ins refused bookings. Management targeted this source of potential revenue. In the marketing plan Damian said,

*"We have recognized that the few steps a Walk-in takes from their car to the front desk and the minute or so our staff has with them represents a very short amount of time to "close the sale." To enhance our sales collateral we placed an inexpensive photo-viewer in the foyer area which shows our award winning rooms and views of the area. It is placed right at the point of contact with the prospective guest. We believe it will improve the ratio of sales to Walk-ins. In addition, by having an opportunity to see the room standards and cleanliness should make a difference to the guest's price expectation for the room.*

*We believe that basic sales training aides designed to help the front desk quickly uncover Walk-in and Phone-in guest's needs will be effective in capturing additional business. The aides include a basic list of questions that uncover potential guest needs. Role playing will be used for practice. We are in the process of implementation."*

Part of the marketing plan was to do a better job at telling the "Quality Inn Story." The hotel offered a preferential rate in a thank you card that also told all about the hotel. Damian said, "Our story of being an award winning hotel that is a good neighbor in the community was used to encourage our regular guests to offer their friends and colleagues an opportunity to enjoy our hospitality for themselves."

Management worked furiously but during April the economy continued to deteriorate. Just when the future looked like it couldn't get any worse the scheduled closure of the Hood Canal Bridge, the Olympic Peninsula's main link to its key Seattle market, began on May 1<sup>st</sup>.

It would take six weeks for the old bridge to be removed and a new bridge, pre-made in sections, rafted into place. The silver lining to the bridge closure is that the region had begun planning for the closure for two years. Damian worked with Marsha Massey and Tammy Guill of Washington State Tourism, Diane Schostak on the Olympic Peninsula Tourism Commission, Vickie Maples of the Sequim Chamber of Commerce and Erik Eriksen of the Sequim Marketing Action Committee. Damian and his colleagues developed a coordinated effort that targeted alternative markets such as Olympia and Tacoma. Their slogan was "No Bridge-No Worries!"

By the end of the second quarter, management and staff's hard work began to pay off. Even with the poor economy and the Hood Canal bridge closure, revenue began to increase. June sales were only off less than 1% over June 2008. It was about this time we began to observe an unanticipated but positive trend.

Wirta Hospitality Worldwide CEO Bret Wirta is fond of quoting Louis Pasteur, "Chance favors only the prepared mind." By the end of the second quarter of 2009 the hotel began to see an increase in guests who hadn't visited the Olympic Peninsula in years. When the economy imploded, household incomes dropped and investments evaporated



people changed their vacation patterns. They cancelled their expensive travel plans, yet no matter what the analysis said about the year of the “staycation,” nobody really wanted to vacation in their own homes. Instead many travelers listened to the value-priced marketing message that the Olympic Peninsula tourism agencies had crafted earlier in the year. Vacationers hopped on a ferryboat or drove to the Olympic Peninsula for an inexpensive vacation. The recession was now helping us! We also benefited from fans of the “Twilight” books and movies who traveled to the tiny town of Forks in search of vampires. Many guests remarked that they had “forgotten how wonderful the Olympic Peninsula was.”

That unexpected travel to the Olympic Peninsula was fortunate for us. Since we had already worked hard and established ourselves as an award winning hotel, we hosted a great many of these newfound guests. (Who after their previous expensive vacations were much less price sensitive). We ended the year with record revenue all while the lodging tax revenue for Sequim and Port Angeles was down.

When CEO Bret Wirta was asked if there were any disappointments in 2009, he said, “The only real disappointment of the year came during the bridge closure. We invited all our fellow Choice Hotel managers and owners to a regional conference where we would share our ideas and work together to try and lessen the impact of the recession on our hotels. Our Choice Hotels franchise even supported this idea. Though there was no charge for the conference, nobody showed up. I wonder how those hotels ended last year? It’s important in times like these to work problems out together. Chance does favor the prepared mind.”