Multi-attribute utility test of U.S. frequent guest programs with applications to the Korean lodging industry

Seakyoung Kim

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MULTI-ATTRIBUTE UTILITY TEST OF U.S. FREQUENT GUEST PROGRAMS
WITH APPLICATION TO THE KOREAN LODGING INDUSTRY

by

Seakyoung Kim

A project submitted to the
Faculty of Food, Hotel and Travel Management
at
Rochester Institute of Technology
in partial fulfillment of the requirements
for the degree
of
Master of Science

July, 1993
FORM K

ROCHESTER INSTITUTE OF TECHNOLOGY
School of Food, Hotel and Travel Management
Department of Graduate Studies

M.S. Hospitality-Tourism Management

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FORM I

ROCHESTER INSTITUTE OF TECHNOLOGY
School of Food, Hotel and Travel Management
Department of Graduate Studies

M.S. Hospitality-Tourism Management
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Abstract

This study has evaluated the adaptability of the Frequent Guest Program of the U.S. lodging industry to four sample hotels in Seoul, Korea, which are looking for competitive strategies to satisfy business travelers. The evaluation was done to produce qualitative insight into the program to help determine whether or not a hotel should commit its money to the Frequent Guest Program's implementation and operation. The evaluation showed that the program is fairly adaptable to all hotels in the sample. And for one sample hotel, the program is evaluated to contribute solidly to the realization of its purpose.
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Chapter I
Introduction

Adam M. Aron, senior vice president of marketing of Hyatt Hotels Corporation, Chicago, said in his interview with American Demographics that its goal is to come as close as possible to offering customers a totally hassle-free business travel experience. Hyatt undertook the Hyatt Travel Future Project to satisfy the business travelers' demand (Townsend, 1990). Not only Hyatt but also other hotels try to pamper their midweek mainstay customers (Rice, 1990).

This phenomenon can be easily seen in the Korean hotel industry if you just take a look at the news releases or advertisements of Korean hotels in any hospitality periodicals. The hotel oversupply after the hosting of 1988 Seoul Olympic Games and the growth in the companies serving national and international markets created more business travel. Many luxury hotels in Seoul, Korea have adopted the same slogan, "making the best business hotel in Korea," with such strategies and tactics as the expansion of executive floors for business travelers, renovation of convention halls and fitness centers, and preparation of fax and copy machine on the executive floor.

This study chose, therefore, the Frequent Guest Program, which is broadly used to attract business travelers in the US, as a competitive strategy, and will evaluate the program to see if it would be viable in comparable Seoul's hotel industry.
Background

In fact, business travelers account for the great portion of the total guests in Seoul's deluxe hotels. According to the statistics of the Korean National Tourism Corporation, business travelers, including participants in conventions, accounted for only 14 percent of the total foreign travellers visiting Korea. However, Seoul's 11 super deluxe hotels say that business men and women accounted for nearly 70 percent of their guests. According to the Business Korea, particularly, a handful of super deluxe hotels, such as the Shilla, Hyatt Regency Seoul, Lotte, Seoul Plaza, and Westin Chosun, claim that business travelers represented more than 80 percent of their total guests in 1991 (1991, pp.83-86).

Furthermore, for the deluxe hotels in Seoul, conventions have emerged as big business after the Olympics in 1988. According to the Korean National Tourism Corporation (1991), 220 international conferences and exhibitions attracting 109,872 foreign attendees, were held in Korea in 1991 compared to 82 in 1982.

Therefore, it is natural for Seoul's deluxe hotels to plunge into the "service race" to attract these highly sought after business travelers.

Problem Statement and Hypothesis

Can the Frequent Guest Program which is broadly used in the US lodging industry be adapted to the comparable Korean business hotels which are competing for business travelers resulting from the growth in the nation's economy?
It is believed that this evaluation research will recommend qualitative insight into the Frequent Guest Program of the USA lodging industry for Korean sample hotels before risking money in the program's operation; and the program is adaptable as a strategy to lure business travelers in sample Korean hotels.

Purpose and Significance

Today most deluxe hotels in Seoul, Korea engage in strategic planning, although the degree of sophistication varies. Conceptually strategic planning is very simple: analyze the current situation, predict the future, determine the firm's direction, and develop a means for achieving the mission. In reality, this is an extremely complex process requiring analysis of environment and match of appropriate means.

Therefore, through investigating and evaluating the Frequent Guest Program which is popularly used in the more developed industry, we may be able to predict this program's adaptability to the opportunity and strength of Seoul's Lodging industry. Therefore, by carrying out this evaluation, this study will predict whether the Frequent Guest Program will be successful in Seoul's lodging industry or not. By evaluating business factors, feasibility factors, and program design factors of the Frequent Guest Program, the study is intended to provide the justification needed for management's approval.
Scope and Limitations

This study will evaluate the Frequent Guest Program as a marketing strategy only for business travelers. Therefore, this study will evaluate the adaptability of the Frequent Guest Program only to hotels in Seoul, Korea which have executive floors for business travelers.

This is a case study to provide an evaluation score to a hotel before it commits money into a new proposed program. Therefore, the result of this study cannot be generalized for the all Korean lodging industry.

The information about the Frequent Guest Program in the USA is based on the Honored Guest Awards of the Marriott Hotels, Resorts, and Suits. This study chooses the Marriott Honored Guest Awards as a model program because the Honored Guest Awards earned acclaim and testimony from various sectors of the hospitality industry. Said Sales and Marketing Management magazine (December 1989): "... no close second." And for three years running (1989-1991), Frequent magazine presented Honored Guest Awards with "Freddies" for achieving "the best" in several evaluated categories: customer service; overall awards; overall promotion; affinity credit card; program newsletter; elite level program; and frequent traveler program.

However, this study has a limitation on gathering sufficient
information about the Frequent Guest Program. This study gathered and analyzed the information about the Marriott Honored Guest Awards through industry periodicals, professional journals, Dow Jones News Release, and interview with the managers of Marriott properties, but they couldn't divulge some important strategic information.

This study assumes that general managers of hotels in Seoul, Korea, will be able to decide the importance of the factors of the program's evaluation based on facts not on their imagination. This study stands itself and analyzes the data from the point of view of the sample hotels.

**Definition of Terms**

1. Frequent guest Program  Is one kind of incentive programs used in the U.S. lodging industry competitively since 1983 as a means of increasing customer loyalty, and therefore, profits for hotel chains. this program offers benefits, such as discounted room rates, discounted car rental, discounted phone rental, and/or others based on the score gained through past business.

2. Strategy  Is the plan, pattern, philosophy that combines the company's major goals, policies, and actions into a cohesive whole. A well formulated strategy helps to organize and allocate the organization's resource into a unique and viable posture based on its relative internal strengths, weaknesses, and anticipated change
in the environment.

3. Program Evaluation Method   Is an evaluation method that could produce qualitative insight into proposed programs before risking money in the program's implementation and operation.
Chapter II
Review of the Literature

Topics that were investigated for this study included: (1) as a theoretical base for the Frequent Guest Program, the relationship marketing and loyalty-based management, (2) the Economy of Loyalty; (3) Frequent Guest Programs in the US lodging industry; and (4) the status of Korean lodging industry.

(1) Relationship Marketing and Loyalty-Based Management

McKenna (1991) said that in a world where customers have so many choices they can be fickle. This means modern marketing is a battle for customer loyalty, and it demands a special relationship with customer. Therefore, successful companies in the 1990s will try to make new relationships with their customers, involving them in the development of goods and services that match their needs, in order to increase and sustain their customer loyalty.

Tom Peters (1986) said that relationship marketing starts with the customer. In today’s environment brand loyalty is dying, and consumers will be in an even more powerful position. How, then, can businesses keep customers loyal? Managements must begin to think how they can create positive relationship experiences with their customers. Relationships are established through communications. Advertising was the most effective marketing when markets were more monolithic. An ad, however, is a monologue, not dialogue. Ads are information, not communication. Communication should be a dialogue.
It is through dialogue that relationships are built and products are conceived, adapted, and developed.

(2) The Economy of Loyalty

Reichheld (1993) describes that the economic benefits of high customer loyalty are considerable, and explain the differences in profitability among competitors. Customer loyalty has three second-order effects: (1) revenue grows as a result of repeat purchases and referrals, (2) costs decline as a result of lower acquisition expenses and from the efficiencies of serving experienced customers, and (3) employee retention increases because job pride and satisfaction increase, in turn creating a loop that reinforces customer loyalty and further reducing costs as hiring and training costs shrink and productivity rises.

Reichheld (1993) describes four important aspects of the loyalty-based management:

**The "Right" Customers** Companies should target the "right" customers - not necessarily the easiest to attract or the most profitable in the short term but those who are likely to do business with the company over time. Finding loyal customers requires taking a hard look at what kinds of customers a company can deliver superior value to. If the analysis is done well, that customer segment will be fairly homogeneous, and that homogeneity improves the economics of serving the segment.

**Lifetime Products and Services Offering** Once a company has
identified the customers it should keep, it has to go about the business of keeping them. Often that means adding new products and services to meet customers' evolving needs. Although it is tempting, it almost always makes better sense to stick with existing customer segments.

**Loyal Employees** The longer the employees stay with the company, the more familiar they become with the business, the more they learn, and the more valuable they can be. Those employees who deal directly with customers day after day have a powerful effect on customer loyalty. It is with employees that the customer builds a bond of trust and expectations, and when those people leave, the bond is broken.

**Measures of Loyalty** Competitors, customer preferences, technologies, and employee capabilities are constantly changing. Measures establish the feed-back loops that are the foundation of organizational learning. Unfortunately, most accounting systems do not measure what drives customer value. They can show the benefits of the one-year magic cure but not of programs and practices that take three to five years or longer to affect profits. The first step in developing effective measures is to understand the cause-and-effect relationships in the system. The primary mission of a loyalty-based company is to deliver superior value to customers. Success of failure in this mission can be clearly measured by customer loyalty (best quantified by retention rate or share of purchase or both).

Documenting the critical relationships among customers and
profits presents a measurements challenge to be sure. The economics of customer loyalty are only now beginning. Thoughtful managers at companies such as Marriott, Merk, and Ryder are making measurable strides in factoring general accounts (Schlesinger and Heskett, 1991).

(3) Frequent Guest Programs in the US lodging industry

Frequent-flier programs have been used as a marketing tool by major airline since May 1981. In 1983, Holiday Inn, followed shortly by Marriott, effectively pushed their hotels into the mire of patronage-reward programs. But Rex Toh (1991), a professor at the Albers School of Business and Economics, said that there is considerable amount of controversy surrounding the value of hotel's frequent guest programs as a means of increasing customer loyalty, and therefore, profits for hotel chains.

Much of the skepticism about such programs centers on their cost. Edward Watkins (1989), editor of Lodging Hospitality, reports that the cost of advertising just the changes in Hyatt's frequent-guest program was $15 million. He further makes the point that "some research shows that it is difficult, if not impossible, accurately to quantify the payback generated from frequent-traveler programs.

The other problems of the Frequent Guest Programs are lack of promotion and less attainable awards (Toh, 1991). Toh concluded that the phenomenal success of the airlines' frequent-flier promotions has not translated to hotel chains, and they need
stronger promotions. And consumer oriented travel publications have observed that a free airline seat is easier to come by than a free hotel room (1988). As shown Table 1, the discount value of hotel bonus programs cluster around 5 to 10 percent, while airline programs give values as high as 20 to 25 percent. Toh and Rivers (1991) found that 63 percent of the award coupons are used for upgrades, 34 percent for free rooms, and just 3 percent for merchandise. Consequently, they recommended that hotels provide what business people traveling at company expense want—namely, room upgrades for their comfort after long trips. They recommended hotels should consider lowering the required number of points for upgraded rooms. According to Orkin (1991), the incremental cost of an occupied room is estimated at about $7.00 to $20.00 for most hotels. The incremental cost of an upgraded room would be considerably less. Therefore, by making it easier to get an upgrade, hoteliers could make their programs more attractive to the business traveler.

If the cost of FGPs is so high, and consumer response is so low, why does nearly every major chain offer some sort of program? The answer seems to be that frequent-guest programs do have some impact. Mike Ribero, senior vice president of marketing for Hilton hotels, is quoted as saying that a survey indicated that 19 percent of the members of Hilton's HHonors would not have stayed at Hilton if it had not been for their frequent guest program (Anthony, 1986). Lynne Roach, vice president of database marketing of
Table 1. Summary of Frequent Guest Programs.

<table>
<thead>
<tr>
<th>Hotel Chain</th>
<th>Enrollment Fee</th>
<th>Enrollment Bonus</th>
<th>Credit Structure</th>
<th>Purchase Eligible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bugetel (Road Runner Club)</td>
<td>None</td>
<td>None</td>
<td>1 night = 1 night's credit</td>
<td>Room</td>
</tr>
<tr>
<td>Hilton (HHonors)</td>
<td>None</td>
<td>2,000 pts.</td>
<td>$1 = 10 pts.</td>
<td>Room, Meals, Bar, Services, Telephone</td>
</tr>
<tr>
<td>Holiday Inn (Priority Club)</td>
<td>$10 (one time)</td>
<td>None</td>
<td>$1 = 1 pt.</td>
<td>Room</td>
</tr>
<tr>
<td>Hyatt (Gold Passport)</td>
<td>None</td>
<td>None</td>
<td>$1 = 5 pts.</td>
<td>Room, Bar, Meals, Merchandise, Services, Telephone</td>
</tr>
<tr>
<td>Marriott (Honored Guest)</td>
<td>None</td>
<td>3,000 pts.</td>
<td>1 night = 100 pts.</td>
<td>Room, Bar, Meals, Merchandise, Services, Telephone</td>
</tr>
<tr>
<td>Ramada Inn (Business Card)</td>
<td>None</td>
<td>1,000 pts.</td>
<td>$1 = 10 pts.</td>
<td>Room, Bar, Meals, Merchandise, Services, Telephone</td>
</tr>
<tr>
<td>Red Lion (Frequent Guest)</td>
<td>None</td>
<td>None</td>
<td>1 night = 1 coupon</td>
<td>Room</td>
</tr>
<tr>
<td>Sheraton (Club International)</td>
<td>$25 (annual)</td>
<td>500 pts. (on 2nd stay)</td>
<td>$1 = 4 pts.</td>
<td>Room, Bar, Meals, Services, Movies, Telephone</td>
</tr>
<tr>
<td>Stouffer (Club Express)</td>
<td>None</td>
<td>None</td>
<td>$1 = 1 pt.</td>
<td>Room, Bar, Meals, Merchandise, Services, Telephone</td>
</tr>
</tbody>
</table>
Table 1. *Summary of Frequent Guest Programs* (continued)

<table>
<thead>
<tr>
<th>Hotel Chain</th>
<th>Award Threshold</th>
<th>Base Award</th>
<th>Other Awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bugetel (Road Runner Club)</td>
<td>12 nights</td>
<td>1 night</td>
<td>None</td>
</tr>
<tr>
<td>Hilton (HHonors)</td>
<td>5,000 pts.</td>
<td>50% weekend discount</td>
<td>Events, Car Rental, Tours, Merchandise</td>
</tr>
<tr>
<td>Holiday Inn (Priority Club)</td>
<td>250 pts.</td>
<td>Travel bag</td>
<td>Tour, Car rental, Merchandise</td>
</tr>
<tr>
<td>Hyatt (Gold Passport)</td>
<td>4,000 pts.</td>
<td>Room upgrade and discounts</td>
<td>Tour, Merchandise, Dining</td>
</tr>
<tr>
<td>Marriott (Honored Guest)</td>
<td>10,000 pts.</td>
<td>50% weekend discount</td>
<td>Tour, Car rental</td>
</tr>
<tr>
<td>Ramada Inn (Business Card)</td>
<td>10,000 pts.</td>
<td>50% weekend discount</td>
<td>Air travel, Car rental, Merchandise</td>
</tr>
<tr>
<td>Red Lion (Frequent Guest)</td>
<td>10 coupons</td>
<td>1 weekend night</td>
<td>Bonus Air miles, One week night</td>
</tr>
<tr>
<td>Sheraton (Club International)</td>
<td>2,500 pts.</td>
<td>Merchandise Cash, Room upgrades</td>
<td>Merchandise, Tour, Airline upgrade, Car rental</td>
</tr>
<tr>
<td>Stouffer (Club Express)</td>
<td>1,000 pts.</td>
<td>Free weekend night</td>
<td>Car rental, Cash/bond, AmEx gifts</td>
</tr>
<tr>
<td>Hotel Chain</td>
<td>Other Benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td>--------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bugetel (Road Runner Club)</td>
<td>All guests receive continental breakfast, free coffee in room</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hilton (HHonors)</td>
<td>Check cashing, Fitness center, Gifts, Late check-out, Free coffee, Expedited check-in/out, Reservations Priority, Free stay for companion, Special reservation number, Assignable points, &quot;Mutual fund&quot; for spouse</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holiday Inn (Priority Club)</td>
<td>Check cashing, Discount rate, Late check-out, Free coffee, Expedited check-in/out, Rental car discount, Free stay for companion, Room upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hyatt (Gold Passport)</td>
<td>Check cashing, Fitness center, Free coffee, Expedited check-in/out, Reservations priority, Car rental discount, Special reservation number, Executive floor, Guest preferences</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marriott (Honored Guest)</td>
<td>Check cashing, Fitness center, Free coffee, Expedited check-in/out, Reservations priority, Car rental discount, Special reservation number, Room upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ramada Inn (Business Card)</td>
<td>Check cashing, Gift, Late check-out, Free coffee, Expedited check-in/out, Car rental discount, Free stay for companion, Room upgrade, Preferred rates, Extended check-out, Special reservation number</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Red Lion (Frequent Guest)</td>
<td>Credit transferrable to spouse and child</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sheraton (Club International)</td>
<td>Late check-out, Free coffee, Expedited check-in/out, Car rental discount, Special reservation number, Room upgrade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stouffer (Club Express)</td>
<td>Check cashing, Fitness center, Free coffee, Expedited check-in/out, Special reservation number, Room upgrade</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Marriott said that over the life of the program, extensive research has measured significant (double digit) incremental business from members in contrast to their non-member peers (Roach, 1993). And a survey of travel agents sponsored by Hotel & Travel Index found that 71 percent of travel agents reported that frequent-stay programs are "very effective" or "somewhat effective."

Therefore, McCleary and Weaver (1991) concluded that while it is expensive to maintain frequent-guest programs, they seem to be effective in keeping a large, lucrative portion of the business-travel market coming back to those hotels that offer FGPs. Therefore, unless the industry as a whole drops FGPs, it appears that individual chains will be forced to maintain their programs as a means of encouraging and maintaining customer loyalty.

(2) The Status of Korean Lodging Industry

Slattery and Boer (1991) said that central to the assessment of the business demand for hotels is the 'structural theory of business travel,' which argues that the business traveler demand is determined by the structure of an economy rather than simply by GDP growth. The structural theory identifies three phases.

In Phase I an economy is dominated by single-site companies mostly in extractive and manufacturing industries, and serving local and regional markets. There is a low overall level of business demand for hotels because sales and marketing executives are normally the only ones who travel regularly on business.

The theory proposes that two states are necessary for an
economy to enter Phase II, when business traveler hotel demand will grow. These two states evolved in the Korea economy during late 1980s.

First, there is growth in the number of multisite companies in the economy as its core moves from primary and secondary to tertiary industries. Such growth is important because it brings with it growth in peripatetic corporate jobs. The growth of multisite companies has been a feature of the structural changes in the Korea during late 1980s. Corporates such as Samsung, Daewoo, Hyundai, and Lucky-Goldstar have opened retail and branch offices nationwide, and it has provided multisite corporate jobs. This has required hotels throughout the country to meet the growing demand from Korean executives to stay away from home as part of their jobs.

The second state necessary for an economy to enter Phase II is a growth in companies serving national and international markets rather than local and regional markets. Companies with national and international markets employ people who are involved in the research penetration, and servicing of these markets. This creates a layer of jobs in a firm which involve business travel and staying from home as a prerequisite. In the late 1980s the Korea produced a material growth in the number of companies servicing national and international markets as well as a growth in foreign companies selling into the Korean economy. Companies introduced above have opened international offices and factories to overcome the rapid increase in the wage of Korean workers. And at the same time, many
foreign corporates opened their offices in Korea. The number of overseas visitors visiting Korea has been almost doubled during 1985 and 1990 (see Table 2).

According to the structural theory of business travel, the Korean lodging industry is located on the boundary of the Phase I and the Phase II (see Fig 1). This has provided the impetus to increase business demand for hotel services. Therefore, it is not too early for the Korean hotel companies to prepare for severe competition for business travelers right now. Actually, according to Business Korea, many of luxury hotels in Seoul, Korea have adopted the same slogan "making the best business hotel in Korea" (1991, February).
Table 2. *Number of Foreign Travelers Visiting Korea.*

<table>
<thead>
<tr>
<th>Demand Category</th>
<th>Number of Overseas Visitors</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1985</td>
<td>1990</td>
</tr>
<tr>
<td>Business travellers</td>
<td></td>
<td>903,596</td>
<td>1,823,986</td>
</tr>
<tr>
<td>Leisure travellers</td>
<td></td>
<td>522,449</td>
<td>904,068</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,426,045</td>
<td>2,728,054</td>
</tr>
</tbody>
</table>


Figure 1. The structural theory of business travel (Slattery, 1991).
Chapter III
Methodology

The Study Setting
This study examines in the future perspective using evaluation and case study research. The adaptability of the Frequent Guest Program of the USA lodging industry to four Korean luxury hotels is evaluated as a strategy to lure business travelers.

Procedure
As a model program of the Frequent Guest Program of the US lodging industry, this study chose the Honored Guest Awards of Marriott Hotels, Resort, and Suits. The reason this study chose the Marriott's Honored Guest Awards as the model program is that it has earned acclaim and testimony from various sectors of the USA hospitality industry. Said Sales and Marketing Management magazine (Dec. 1989): "... no close second." The Honored Guest Awards was named best hotel frequent traveller program by readers of Business Travel News for the seventh consecutive year. And for three years running(1989-1991), Frequent magazine presented the Honored Guest Awards with "Freddies" for achieving "the best" in seven evaluated categories: customer service, overall awards, overall promotion, affinity credit card, program newsletter, elite level program (Club Marquis), and frequent guest program.

To gather information about the Marriott's Honored Guest
Awards, first of all, two local Marriott hotels were interview: Rochester Marriott Thruway Hotel (April 1, 1993) and Rochester Marriott Airport Hotel (April 7, 1993). Interviewees of each hotel were Richard D. Weaver, Director of Operations; and Karen Y. Cardillo, Director of Sales and Marketing. Interviewees working in different departments were chosen to get broader information about the Honored Guest Awards program. The interview questionnaires (see Appendix A) were sent by fax one week in advance to get the interviewees familiarized with the questionnaire. Each interview was held according to the written questionnaire. General description of the study and purpose of the interview was explained at the beginning of interview, and interviewer gave interviewees the chance to give opinion and comments about the Honored Guest Awards and other frequent guest programs at the end of interview.

Then the interview questionnaire was sent to Lynne Roach, Vice President of Database Marketing who exclusively handles the Honored Guest Awards program in Washington, D.C., Marriott headquarters. After interviews with local branch Marriott hotels (Rochester, NY) the interview questionnaire was revised based on new information about the Honored Guest Awards program. The amended questionnaire (see Appendix B) was send by mail on April 21, 1993, and two follow-up phone calls were made to get response to the questionnaire during April 28 to May 7. Response to the questionnaire was gathered on May 12.
Once the questionnaire was gathered, the information about the Honored Guest Award program was summarized and edited (see the first part to Appendix C) in order to be sent to Korean sample hotels.

The systems evaluation method for Korean sample hotels to evaluate the adaptability of the Frequent Guest Program of USA lodging industry (the Marriott's Honored Guest Awards as a model program) to the Korean lodging industry, was selected through literature study. The new systems evaluation method can be used to get qualitative insight into new proposal to management in any industry (Rivard and Kaiser, 1989). This systems evaluation method was revised to be applicable into the lodging industry (see the second part of Appendix C). The systems evaluation method evaluates the adaptability of the Frequent Guest Program to Korean sample hotels in terms of business factors, feasibility factors, and program design factors. Business factor is composed of productivity, service differentiation, and management function; feasibility factor is composed of technical, economical, legal, and operational feasibility; and program design factor is composed of maintainability, reliability, and extendibility.

To get more precise evaluation score, ten factors in the systems evaluation method were weighed by each General Manager of Korean sample hotels. Using weighing makes possible to evaluate the relative importance (Babbie, 1990). Weighing of factors are needed
as the anticipated program users (the Korean sample hotels) did not participate in the selection of evaluation factors, and the General Managers of Korean sample hotels can consider more important factors than others in their evaluation (see the second part of Appendix C).

Sample hotels for this study are four of eleven high end properties with separated executive floors in Seoul, Korea (Korean Tourism Corporation, 1992): Lotte, Shilla, Hyatt Regency Seoul, and Hilton Seoul. Sample hotels claim that business travelers represent more that 80 percent of their total guest (Business Korea, 1991). Lotte and Shilla are Korean brand hotels, and Hyatt Regency Seoul and Hilton Seoul are foreign chain hotels (see Table 3).

The new systems evaluation method was mailed to four Korean sample hotels on May 28, 1993. The evaluation form is composed of two part: the information sheet of the Marriott's Honored Guest Awards and the new systems evaluation method. Introduction about this study and purpose of the questionnaire was added on the front page of the questionnaire (see Appendix C). Follow-up phone calls were made to hotels to confirm the arrival of the questionnaire and to obtain the response from each hotel. The responses from each hotel arrived by mail between June 14 to 21, 1993.

Once the responses from four sample hotels were gathered, they were calculated according to the MAUT (Multi-Attribute Utility Test)
Table 3. The Operations of Executive Floors of Sample Korean Hotels.

<table>
<thead>
<tr>
<th></th>
<th>Lotte</th>
<th>Shilla</th>
<th>Hyatt</th>
<th>Hilton</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of Rooms</strong></td>
<td>6-Floor 154-Room</td>
<td>7-Floor 253-Room</td>
<td>4-Floor 154-Room</td>
<td>4-Floor 122-Room</td>
</tr>
<tr>
<td><strong>Executive Floor charge</strong></td>
<td>Additional $20.00</td>
<td>Additional $42.52</td>
<td>Additional $50.00</td>
<td>Additional $25.00</td>
</tr>
<tr>
<td><strong>Occupancy Rate</strong></td>
<td>Year Round 80%</td>
<td>High Season 100% H.S. 75% Year Round 85-100% L.S. 50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Number of Employee</strong></td>
<td>15 Conciergies</td>
<td>1 Manager 16 Conciergies</td>
<td>1 Manager 9 Conciergies</td>
<td>1 Manager 3 Conciergies</td>
</tr>
<tr>
<td><strong>Executive Lounge</strong></td>
<td>one of each floor</td>
<td>one of each floor</td>
<td>one of each floor</td>
<td>two</td>
</tr>
<tr>
<td><strong>Meeting Room</strong></td>
<td>one</td>
<td>one</td>
<td>one</td>
<td>no specific</td>
</tr>
<tr>
<td><strong>Pick-Up at Airport</strong></td>
<td>Requested, rent a car ($37.75)</td>
<td>Requested, (free of charge)</td>
<td>Requested, rent a car ($25)</td>
<td>Requested, rent a car ($30)</td>
</tr>
<tr>
<td><strong>Check-In</strong></td>
<td>Exe.F.C/I Express C/I</td>
<td>Exe.Concierge C/I</td>
<td>Exe.Concierge C/I</td>
<td>Exe.Con C/I</td>
</tr>
<tr>
<td><strong>Check-Out</strong></td>
<td>Express C/O C/O Attendant C/O Vicarious</td>
<td>Express C/O Limousine service to airport</td>
<td>C/O without repeating guest signature</td>
<td></td>
</tr>
<tr>
<td><strong>Other Services</strong></td>
<td>copy, fax, typing</td>
<td>copy, fax, typing, interpreter, shorthand service</td>
<td>same</td>
<td>same</td>
</tr>
</tbody>
</table>

Method (Posavac and Carey, 1989). This method is a technique derived from decision theory, which has been used for program planning. Especially for allocationg resources to competing programs:

**Weighing Importance** Process begins by assigning the least important factor a rating of 1 by sample hotels. Then the next least-important factor is considered. If this factor is considered to be twice as important as the previous one, it is given a rating 2. If it is only half again as important, it is assigned a rating of 1.5. Then, the importance weights are summed, divided each by the sum, and multiplied by 10. This is purely a computational step (normalizing) so that the ratings of all the factors will add up to 10. This process provides a clearer picture of the relative value of the weights given to each factors, and makes subsequent calculation easier to manage.

**Measuring Adaptability** Each General Manager of the sample hotels is asked to estimate the adaptability on a 0-to-10 scale. If the Marriott's Honored Guest Awards program is judged to have a high adaptability of fostering the value represented on a certain factor, it might be assigned a 9 adaptability. If the Marriott's Honored Guest Awards has a low adaptability of fostering the same value, it might be given a 2 adaptability. It is likely that the program will be thought to have merit on each factor of value. Therefore, it will seldom be appropriate to use 0. These estimates indicate how useful the program is in achieving the desired objectives.
**Calculation**  The overall program's adaptability is calculated using the following equation:

\[ A_i = \sum_{i,j} i_i a_{ij} \]

- \( A_i \) = Total Adaptability
- \( i_i \) = Normalized importance weight
- \( a_{ij} \) = Adaptability rating on each factor

Stated simply, the total adaptability of the program is obtained by multiplying the importance weight for each factor by the adaptability rating of the program on that factor and summing the products. Remember that the sum of \( i_i \) equals 100.
Chapter IV
Results, Analysis, and Discussion

Restatement of the Problem

This study sought to evaluate the adaptability of the Frequent Guest Program of the USA lodging industry (the Marriott's Honored Guest Awards as a model program) to four Korean sample hotels as a strategy to lure business travelers.

Results

The questionnaire mailing to the sample hotel properties for the adaptability evaluation, resulted in three mailing returns. Follow-up phone calls to the hotel property that did not respond to the questionnaire, resulted in an additional one completed questionnaire, for a total of four completed questionnaires and a response rate of 100 percent. Every sample hotel filled out the questionnaire completely. It means that sample hotels are trying to find an appropriate strategy for business travelers which represent a big share of their total guests.

The importance and adaptability of the Frequent Guest Program according to ten factors were evaluated by the general managers of each sample Korean hotel, they are summarized in Table 4.

Then rating of importance and adaptability of the Honored Guest Awards program by four Korean sample hotels (see Table 4),
Table 4 Importance and Adaptability of each factor evaluated by four Korean sample hotel properties.

<table>
<thead>
<tr>
<th>Factors in Evaluating the Program</th>
<th>Lotte $ii$</th>
<th>Shilla $ii$</th>
<th>Hyatt $ii$</th>
<th>Hilton $ii$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$aij$</td>
<td>$aij$</td>
<td>$aij$</td>
<td>$aij$</td>
</tr>
<tr>
<td><strong>Business Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>10</td>
<td>10</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Service Differentiation</td>
<td>8</td>
<td>8</td>
<td>8.5</td>
<td>8</td>
</tr>
<tr>
<td>Management Function</td>
<td>6</td>
<td>9</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td><strong>Feasibility Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>3</td>
<td>8</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Economical</td>
<td>6.5</td>
<td>5</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>Legal</td>
<td>5</td>
<td>3</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Operational</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td><strong>Program Design Factors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintainability</td>
<td>2</td>
<td>6</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Reliability</td>
<td>2.5</td>
<td>2</td>
<td>2.5</td>
<td>5</td>
</tr>
<tr>
<td>Extendibility</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

Note: $ii$ = importance, $aij$ = adatability
was calculated according to the MAUT Method (refer to the Procedure for the explanation about the Method). First, the raw importance weight of each factor in Table 4 was normalized to get normalized importance (ii) according to the method as explained in Procedure. Then, overall program's adaptability (Ai) was calculated using the equation explained in Procedure. The calculation according to the MAUT Method was done separately for each sample hotel (see Table 5, 6, 7, and 8).

First, the Lotte Hotel gave the lowest importance weight and adaptability to the extendibility of the program design factors. And it rated that the program's productivity, which compares results and the cost of obtaining them, is the most important factor, and the program is very effective for increasing the productivity of rooms department and other facilities. The data of the Lotte Hotel was calculated using the MAUT Method, and the overall adaptability (Ai) earned is 67.41 (see Table 5).

Second, the Shilla Hotel rated that the extendibility of programs design factors, which gives a program flexibility so it can be adapted to satisfy changing user requirements, is the least important factor. And the Shilla also rated that the most important factor is the productivity of new program. In terms of adaptability (aij), it rated the value of service differentiation of the program, which estimates how the program contributes to the differentiation of products and services which can satisfy the
Table 5 The total adaptability of the Marriott's Honored Guest Awards to the Lotte Hotel in Seoul, Korea.

<table>
<thead>
<tr>
<th>Factors in Evaluating the Program</th>
<th>Raw Importance</th>
<th>Normalized Importance ( (i^i) )</th>
<th>Adaptability ( (a^i) )</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>10</td>
<td>2.08</td>
<td>10</td>
</tr>
<tr>
<td>Differentiation</td>
<td>8</td>
<td>1.67</td>
<td>8</td>
</tr>
<tr>
<td>Management Function</td>
<td>6</td>
<td>1.25</td>
<td>9</td>
</tr>
<tr>
<td><strong>Feasibility Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>3</td>
<td>0.63</td>
<td>8</td>
</tr>
<tr>
<td>Economical</td>
<td>6.5</td>
<td>1.35</td>
<td>5</td>
</tr>
<tr>
<td>Legal</td>
<td>5</td>
<td>1.04</td>
<td>3</td>
</tr>
<tr>
<td>Operational</td>
<td>4</td>
<td>0.84</td>
<td>4</td>
</tr>
<tr>
<td><strong>Program Design Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintainability</td>
<td>2</td>
<td>0.42</td>
<td>6</td>
</tr>
<tr>
<td>Reliability</td>
<td>2.5</td>
<td>0.52</td>
<td>2</td>
</tr>
<tr>
<td>Expendability</td>
<td>1</td>
<td>0.21</td>
<td>1</td>
</tr>
</tbody>
</table>

**Total Adaptability \( (A^i) \):**

\[
A^i = \sum_{ij} i^i a^i = 2.08(10)+1.67(8)+1.25(9)+0.63(8)+1.35(5)+1.04(3)+0.83(4)+0.42(6)+0.52(2)+0.21(1) = 67.41
\]
Table 6 The total adaptability of the Marriott's Honored Guest Awards to the Shilla Hotel in Seoul, Korea.

<table>
<thead>
<tr>
<th>Factors in Evaluating the Program</th>
<th>Raw Importance</th>
<th>Normalized Importance ($i_i$)</th>
<th>Adaptability ($a_{ij}$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>10</td>
<td>2.17</td>
<td>5</td>
</tr>
<tr>
<td>Differentiation</td>
<td>8</td>
<td>1.85</td>
<td>9</td>
</tr>
<tr>
<td>Management Function</td>
<td>7</td>
<td>1.52</td>
<td>6</td>
</tr>
<tr>
<td><strong>Feasibility Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>4</td>
<td>0.87</td>
<td>6</td>
</tr>
<tr>
<td>Economical</td>
<td>5</td>
<td>1.09</td>
<td>8</td>
</tr>
<tr>
<td>Legal</td>
<td>3</td>
<td>0.65</td>
<td>2</td>
</tr>
<tr>
<td>Operational</td>
<td>2</td>
<td>0.43</td>
<td>4</td>
</tr>
<tr>
<td><strong>Program Design Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintainability</td>
<td>3</td>
<td>0.65</td>
<td>7</td>
</tr>
<tr>
<td>Reliability</td>
<td>2.5</td>
<td>0.54</td>
<td>5</td>
</tr>
<tr>
<td>Expendability</td>
<td>1</td>
<td>0.23</td>
<td>5</td>
</tr>
</tbody>
</table>

**Total Adaptability ($A_i$):**

\[
A_i = \sum_{ij} i_i a_{ij} = 2.17(5) + 1.85(9) + 1.52(6) + 0.87(6) + 1.09(8) + 0.65(2) + 0.43(4) + 0.65(7) + 0.54(5) + 0.23(5) = 61.98
\]
Table 7 The total adaptability of the Marriott's Honored Guest Awards to the Hilton Hotel in Seoul, Korea.

<table>
<thead>
<tr>
<th>Factors in Evaluating the Program</th>
<th>Raw Importance</th>
<th>Normalized Importance ($i_i$)</th>
<th>Adaptability ($a_ij$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>9</td>
<td>1.67</td>
<td>6</td>
</tr>
<tr>
<td>Service Differentiation</td>
<td>10</td>
<td>1.85</td>
<td>9</td>
</tr>
<tr>
<td>Management Function</td>
<td>7.5</td>
<td>1.39</td>
<td>8</td>
</tr>
<tr>
<td><strong>Feasibility Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>5</td>
<td>0.93</td>
<td>8</td>
</tr>
<tr>
<td>Economical</td>
<td>7</td>
<td>1.29</td>
<td>4</td>
</tr>
<tr>
<td>Legal</td>
<td>5.5</td>
<td>1.02</td>
<td>9</td>
</tr>
<tr>
<td>Operational</td>
<td>4</td>
<td>0.74</td>
<td>9.5</td>
</tr>
<tr>
<td><strong>Program Design Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintainability</td>
<td>1</td>
<td>0.18</td>
<td>8</td>
</tr>
<tr>
<td>Reliability</td>
<td>3</td>
<td>0.56</td>
<td>8.5</td>
</tr>
<tr>
<td>Expendability</td>
<td>2</td>
<td>0.37</td>
<td>8</td>
</tr>
</tbody>
</table>

**Total Adaptability ($A_i$):**

\[
A_i = \sum_{ij} i_i a_{ij} = 1.67(6) + 1.85(9) + 1.39(8) + 0.93(8) + 1.29(4) + 1.02(9) + 0.74(9.5) + 0.18(8) + 0.56(8.5) + 0.37(8) = 75.76
\]
Table 8 The total adaptability of the Marriott's Honored Guest Awards to the Hyatt Regency Hotel in Seoul, Korea.

<table>
<thead>
<tr>
<th>Factors in Evaluating the Program</th>
<th>Raw Importance</th>
<th>Normalized Importance ($i_i$)</th>
<th>Adaptability ($a_{ij}$)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity</td>
<td>10</td>
<td>1.98</td>
<td>10</td>
</tr>
<tr>
<td>Differentiation</td>
<td>8</td>
<td>1.58</td>
<td>9</td>
</tr>
<tr>
<td>Management Function</td>
<td>7</td>
<td>1.39</td>
<td>9</td>
</tr>
<tr>
<td><strong>Feasibility Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical</td>
<td>3</td>
<td>0.59</td>
<td>6</td>
</tr>
<tr>
<td>Economical</td>
<td>5.5</td>
<td>1.09</td>
<td>6</td>
</tr>
<tr>
<td>Legal</td>
<td>6</td>
<td>1.19</td>
<td>9</td>
</tr>
<tr>
<td>Operational</td>
<td>5</td>
<td>0.99</td>
<td>7</td>
</tr>
<tr>
<td><strong>Program Design Factors</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maintainability</td>
<td>3</td>
<td>0.59</td>
<td>6</td>
</tr>
<tr>
<td>Reliability</td>
<td>2</td>
<td>0.4</td>
<td>7</td>
</tr>
<tr>
<td>Expendability</td>
<td>1</td>
<td>0.2</td>
<td>6</td>
</tr>
</tbody>
</table>

**Total Adaptability ($A_i$):**

\[ A_i = \sum_{ij} s_i a_{ij} = 1.98(10) + 1.58(9) + 1.39(9) + 0.59(6) + 1.09(6) + 1.19(9) + 0.99(7) + 0.59(6) + 0.4(7) + 0.2(6) = 81.79 \]
changing business customers demands as the highest (adaptability 9); and the legal feasibility, in which each hotel determines whether there are any conflicts between the program being evaluated and the hotel's ability to carry out its legal obligations, as the lowest (adaptability 2). Therefore, the overall adaptability (Ai) of the program of the Shilla Hotel is 61.98, the lowest adaptability of sample hotels (see Table 6).

Third, the Hilton Seoul rated that the maintainability of the program design factors, which determines the long term operational probability of a program, is the least important (importance 1), and the service differentiation the most important (importance 10). It gave 9.5 to the operational feasibility, which estimates whether existing procedures and employee skills are adequate to operate the proposed program or must be changed or acquired; and 4 to economical feasibility, which determines whether adequate funds can be committed to implement and operate the new program. The overall adaptability of the program computed with MAUT Method is 75.76 (see Table 7).

Last, the Hyatt Regency Seoul gave the highest importance weight to the productivity, and the lowest to the extendibility. It gave high adaptability (aij) score to most factors. Especially, it rated all business factors (productivity, service differentiation, management function) very highly - 10, 9, and 9. However, it gave the technical feasibility, economical feasibility, and the
extendibility of the program design adaptability (aij) 6. In technical feasibility, each sample hotel determines whether the technology is available to support the Honored Guest Program of Marriott in Korea. Therefore, the overall adaptability (Ai) of the program is 81.79, the highest of sample hotels (see Table 8).

Summary of Findings

The Frequent Guest Program of the US lodging industry seems fairly adaptable to all Korean sample hotels; and the program seems highly appropriate as a strategy to lure the business travelers in the Hyatt Regency Seoul. The adaptability (Ai) of the Frequent Guest Program to four Korean sample hotel, earned using the program evaluation method is: the Lotte 67.41, the Shilla 61.98, the Hilton Seoul 75.76, and the Hyatt Regency Seoul 81.79.

Relevance of Summary Findings to the Hypothesis

The hypothesis for this study stated it will evaluate the adaptability of the Frequent Guest Program of the US lodging industry to the four Korean sample hotels in order to provide qualitative insight into the program.

The findings of this study provided the adaptability score of the Frequent Guest Program of the US lodging industry to each Korean sample hotel. It shows that the program is fairly adaptable to all sample hotels; and the program seems highly adaptable as a strategy for business travelers to the Hyatt Regency Seoul.
Analysis and Discussion of Findings

In terms of importance, the weighing of factors, all sample hotels showed consensus. All hotels responded that business factors (productivity, service differentiation, and management factor) are the most important factors, and program design factors (maintainability, reliability, and extendibility) are the least important one. Especially, three of four hotels chose the productivity as the most important factor; and the extendibility the least important one (see Table 4). It means that the sample hotels, which are competing intensely to get more business travelers, wants a strategy (program) that can make a result in the short term.

The sample hotels seem to think that the Frequent Guest Program is more adaptable in terms of business factors (maintainability, differentiation, and management function) (see Table 4).

The Lotte Hotel has two properties in the most favorable location in Seoul, Korea; and it has most number of rooms and best facilities in sample hotels. However, it is a Korean brand hotel and does not have chain abroad. In the comment section of the questionnaire, it said that it joined in the existing chains, and its senior management considers incentive programs such as the Frequent Guest Program less important than sales. Therefore, it said that even though it needs some sophisticated program for
international marketing, it cannot yet accommodate a large scale program such as the Frequent Guest Program. It rated the program's legal and operational feasibility, and reliability and extendibility of programs design very low, and according to this study's evaluation method, the program seems to contribute some (total adaptability 67.41) as a strategy for business travelers (see Table 5).

The Shilla Hotel, Korean brand hotel, has most number of executive floor room in sample hotels and famous for its sophisticated hospitality (see Table 3). It already has some incentive programs similar to the proposed program - the Shilla Club International and the Bas Club. The Shilla Club International is a program for foreign travelers emphasizing the services such as reservation priority, express check-in, welcome flowers, birthday card, and discounted laundry services; and the Bas Club is the program for Koreans. These programs are different from the Frequent Guest Program in the contents of awards. The awards are usually service amenities. The Shilla Hotel gave the lowest score to the legal feasibility for adapting the Marriott Honored Guest Awards to it, and it earned the lowest total adaptability (61.98) in the sample hotels (see Table 6).

The Hilton Seoul is an international chain hotel, and it already has a similar program such as HHonors. However, its executive floor is the lowest in terms of facilities, occupancy
rate, and services (see Table 3), so the program seems not a at the Hilton Seoul. It gave the lowest rate to the economic feasibility, and that means that the Hilton Seoul suffers from the cost of the program. It costs a lot when a hotel must give awards such as upgraded rooms and discounted rooms to international members who got his score in other chain of Hilton properties. In comment about the program, however, it said that this kind of program is essential for Korean hotels to do internationally sophisticated marketing. Especially, the database marketing of customer files of the program is needed most. It said that although many Korean hotels have better facilities than any other foreign luxury hotels, its software such as services and computer network systems is less developed. Therefore, the adaptation of the program is essential to overcome the technical and marketing dependence of Korean hotels.

The Hyatt Regency Seoul is an international chain hotel, and it already has Gold Passport program similar to the Marriott Honored Guest Awards. The occupancy rate of the executive floor of the Hyatt Regency Seoul is the one of the highest in Seoul, Korea (see Table 3). It rated highly most adaptability factors. Especially, it gave 10, 9, and 9 to three business factors (productivity, differentiation, management function). It got the highest adaptability score (81.79) in four sample hotels, therefore the program seems to contribute solidly to the realization of its strategy for business travelers (see Table 8). In the comment section about the program, it said that the hotels can make good
relationship with their patrons through providing pertinent services to their customers at specific levels. And it recommended that other Korean hotels to adopt such programs, and that the programs will boost more occupancy rate through airline tie-ins than just the guest program by itself.
Chapter V

Summary and Recommendations

Summary

This study evaluated the adaptability of the frequent Guest Program of the US lodging industry to four sample hotels in Seoul, Korea as a competitive strategy to lure more business travelers.

The evaluation showed that although the program can contribute a little to the realization of the purpose of two Korean brand hotels, the Lotte and Shilla Hotel, they did not want a big incentive program such as the one proposed. They are not ready for the adaptation of the program because of technical inability and weak commitment from senior management though they are searching for a competitive strategy for business travelers these days.

However, the evaluation showed that the program can contribute as a strategy for business travelers in two international chain hotels, the Hyatt Regency Seoul and Hilton Seoul. They rated high most of the ten adaptability factors. These hotels needed the program not only as a strategy to boost occupancy, but also as a sophisticated marketing tool for database and relationship marketing to increase the customer loyalty.

Recommendations

Further study should be undertaken using the same program and evaluation method to provide more dependable evaluation score to help senior management determine the implementation of the program. The evaluation would be more dependable if the adaptability factors
were chosen through an interview with the program's designers, existing users, and expected users; and if the study gathered more sufficient information about the program such as redemption cost and customer loyalty measurement system (e.g. retention rate, share of purchase).

This evaluation method can be applied to most new programs proposals including the Frequent guest Program in order to provide insight to a hotel who should determine whether to commit its money to proposed programs.

Other Korean hotels are recommended to evaluate the adaptability of the program to their situation using the same method. The hotels which get high adaptability scores using this method, are highly recommended to implement the program not only to increase the occupancy rate of the hotels but also to do more competitive database and relationship marketing. Customer relationship will be the most important marketing tool in the 1990s (Roach, 1993). Hotels considering implementation of the program, are recommended to make more competitive program though joining with airlines and other travel partners (McCleary, 1991). And hotels which got low evaluation score, but considering the program as a strategy for business travelers, are recommended to join in international chain hotels as in the case of New Otani Hotel in Japan and Concorde Hotels in France (Roach, 1991; refer to the part one of Appendix C).
References


Appendix A

Interview For Marriott Honored Guest Awards

Person Interviewed: Date:

Please answer to the questions best of your ability.

1. Technical Features
   a. What technical features or skills are needed for the program? Ex. special network system?
   b. What is the standard programming language?
   c. Who designed the program?

22. Economic Factors
   a. What is the program's installation cost (estimate)?
   b. What is the operation cost? (the cost of advertisement, training, relationship with travel agency, and joint-venture with airlines and car-rentals)

3. Operational Factors
   a. Does the program involve well trained and committed users?
      What special kind of skills do users need?
   b. What was the first reaction of business travelers?
      Did the program create new customers?
   c. How long did the program take to see results?
   d. What is the legal obligation of the program?
4. Business Factors
   a. How much has the program increased the hotel's occupancy and total rooms department revenue?
   b. Has the program increased revenue in other facilities such as Food and Beverage?
   c. Did the increased revenue generated from the program justify the program's cost?
   d. Has the company's "brand image" then enhanced?
   e. Do you get detailed information about the frequent guests?
      How did you use that information?
   f. Does the program facilitate customer relationship?
   g. Are your customers more loyal to you because of the program?

5. Learning from Experience
   a. What did you learn from your mistakes?
   b. If you could scale back or change the program, how would you modify the program?
   c. Why can only individuals enroll in the program? Why can't corporation enroll in the program?

Comments:
Appendix B

Survey For Marriott's Honored Guests Awards Program

April 27, 1993

Gordon Lamborune
Public Relation
Telephone: 301.380.1340
Fax: 301.380.4384

Dear Mr. Lamborune:

I am a graduate student of the Rochester Institute of Technology majoring in Hotel Management. I am presently writing a project about the adaptability evaluation of the Frequent Guest Program of the U.S. lodging industry to the Korean hotels. I chose the Marriott Honored Guest Awards program as a model program for the project. Please answer the following questions to the best of your ability.

Thank you for your time and effort.

Sincerely,

Seakyoung Kim
Person Interviewed:       Date:

Please answer the questions to the best of your ability.

1. Technical Features
   a. Would you explain how the PMS (Property Management System) is working as an operational network for the Honored Guest (HG) Program? Is it a system used for only HG Program?

   b. Does the PMS have international compatibility?

   c. How is the PMS connected with the MARSHA reservation system?

2. Economic Factors
   a. What is the HG program's installation cost (estimate)?

   b. What is the usage cost for the corporation?
      Redemption Cost:
      Advertisement Cost:
      Cost of joint venture with airlines and car rentals:
      Cost of relationship with travel agencies:

48
3. Operational Factors

a. By whom (any specific department or corporation) is the HG program operated? Ex. Guest Services in Salt Lake City, Utah. Are there special board of director members for HG program?

b. What are other support departments, except Guest Services, that are crucial to the success of HG?

c. Where are international HG offices located?

d. How many members are enrolled in HG program?

How many hotels are there in HG program. How many rooms in inventor. How many countries are there in the HG?

e. What is the percentage of international members to total HG members?
f. What is the percentage of business travelers members to total HG members?

g. What is the legal obligation of the program?
For example, in terms of discount or special coupon, for members redeeming their points from one countries to another, and different currency exchanges and fluctuating values.

h. Would you explain about the HG program itself such as the point system and different award levels?

i. What kind of Initial Training do new employees attend?
Is there any Recurrent (ongoing) Training for new product knowledge?
Is there special Contact Training for reservation personnel?
4. Business Factors

a. How much has the HG program increased the hotel's occupancy and total rooms department revenue?

b. How much has the HG program increased revenue in other facilities such as Food and Beverage?

c. Did the increased revenue generated from the program justify the program's cost?

d. Has the company's "brand image" been enhanced?

e. Do you have any customer loyalty measurement system such as retention rate or/and share of purchase? If you have it, how much is it?

f. How did you use the information of customer files from HG?
g. Does the program facilitate customer relations more than other services, your reservation system or revenue attainment?

5. Learning from Experience

a. If you could scale back or change the program, how would you modify the program to decrease the redemption cost?

b. Why can only individuals enroll in the program? Why can't the corporation enroll in the program?

Comments:
Appendix C

Letter and Questionnaire to the Korean Sample Hotels

May 25, 1993

Dear General Manager of xxxx Hotel;
I am a graduate student in the School of Food, Hotel, and Tourism Management at the Rochester Institute of Technology in Rochester, New York, USA. I am currently working on my Master's project about the adaptability of the Frequent Guest Program of the USA to the Korean lodging industry.

I would appreciate if you could fill out the evaluation sheet after reading the information about the Honored Guest Awards program of the Marriott enclosed.

If you have any question regarding the questionnaire please feel free to contact me at (716)427-0671.

Thank you for your time.

Sincerely,

Seakyoung Kim
I. Marriott Honored Guest Awards

Description

Launched in November 1983, Marriott Honored Guest Awards is a frequent travel program that rewards its membership (loyal Marriott customers) with free travel to luxury hotel and resort destinations throughout the world.

Participating Hotels

There are five types of hotels in Marriott:

* Marriott Hotels, Resorts, and Suits: high end, full-service hotels
  Courtyard: mid-scale hotels
  Residence Inn: hotels for long term residence
  Fairfield Inn: budget hotels
  Marriott Ownership Resorts: Vacation Villa Resorts

The hotels participating in Honored Guest Awards are 248 *Marriott Hotels, Resorts, and Suites worldwide.

Program Development

Honored Guest Awards is administrated and developed continuously by a team composed of three (Vice President of Marketing; Vice President of Database Marketing; and Director of Marketing) in Washington D.C..

Other department participated in the operation of the program are as following: Guest Service, Planning & Analysis, Creative Services, Project Management, Accounting, Systems Development
Marketing Research Systems Operations

Membership
5.0 million worldwide (85% Business Travelers, 10% Foreigners)

Enrollment Cost
None

Travel Partners
Airline Partners: British Airways, Continental, Delta, Northwest, TWA, USAir
Car Partner: Hertz
Hotel Partners: Aston Hotels and Resort - Hawaii
Selected New Otani Hotels - Japan
Selected Concorde Hotels - France/Spain
St. Andrews Old Course Hotel - Scotland
Cruise Partners: Holland America, Carnival Cruise

Terms
Members earn points during each Marriott stay which can be exchanged for travel awards. Points are earned in the following manner:
- 10 points per dollar charged to guest room
- 25 percent bonus on points per stay for flying one of five airline travel partners
- 20 percent bonus on points per stay for renting a Hertz car
Awards Contents

There are 7 kinds of Awards in the program

- Marriott Travel Combination Awards
- Marriott Hotels, Resorts, and Suits Awards
- Marriott Value Vacation Awards
- Showcase Awards
- Cruise Awards
- Free Flight Awards
- World Traveller Awards

Sample Awards

15,000 points - lowest award - a member can spend a free Friday or Sunday night at most Marriott hotels.

200,000 points - highest award - free 7-night stay at any Marriott hotels, resorts or suites worldwide; plus two free round-trip coach airline tickets on Northwest, TWA, Continental, USAir, Delta or British Airways; plus a free 8-day, full-size Hertz car in the U.S. or Europe.

Club Marquis

Marriott's Club Marquis offers special upgraded services to Honored Guest Awards members who are active in the program. Members are automatically enrolled at the Club Marquis "Gold Level" after staying 15 nights in a 12-month period. Perks include:

- Gold Level 800 express reservation number
- 15 nights $200-plus reservations guarantee
Corporate rate
Preregistration services
Express check-in/out
Free daily newspaper
10% gift shop discount
10% bonus on Honored Guest Awards points per stay
$200 check cashing privilege
Nightly turndown services
Luggage tags

Black Level (all of the above)
50 nights Upgrade to concierge level upon availability at time of check-in
$500 check cashing privilege
Confectionery gift on arrival
Monthly statement updates
Special periodic promotional mailings

Platinum Level (all of the above)
75 nights Direct billing
Guaranteed availability up to 48 hrs.
Gourmet room service gift on arrival

Account Statement
Point credits and deductions are maintained automatically and recorded on activity statements. Statements are mailed to members based on their current levels of activity, however, Black and Platinum card members receive statements on a monthly basis.
regardless of activity.

Technology

Complete computer network systems are fully implemented to connect 248 Marriott Hotels, Resorts, and Suits worldwide, and these systems are controlled by Marriott headquarter in Washington, D.C. and Customer Service Center in Utah. These network systems, which are developed by Marriott, is composed of MARSHA system which controls reservation; PMS(Property Management System) which manage customer files and administration; and HGA system which solely manage Honored Guest Awards.

MARSHA——PMS——HGA

If a customer makes reservation through MARSHA system, PMS captures new enrollment and member visits, and these are then electrically transmitted to the HGA system.

Cost

The cost for starting and maintaining Honored Guest Awards program in corporate level is not known. The problem of this program is the constantly increasing program usage cost: the cost of awards redemption, advertisement, and maintenance of Travel Partners. For example, one Marriott chain hotel with revenue of $5,000,000 per year spent $45,000 as the program starting cost and $165,000 as the program usage cost in 1992. However, the hotels, which try to start the program, can decrease the usage cost of the program by revising terms of awards redemption making a model of existing
programs' fault, and care less about the usage cost as redemption cost is relatively low in the starting years of the program. Marriott itself decreased the cost of the program through the revision of Honored Guest Awards in 1990 and 1991.

Employee Training
It is important for the success of the program to educate sufficiently contents of the program and different kinds of services according to the level of members. There are complete orientation training for new customer service personnel in Salt Lake City, Utah, and weekly training for customer service personnel. Professional training is provided for senior management.

Terms and Conditions
The National Association of Attorneys General has developed guidelines for the protection and information of members of frequent traveler programs. Marriott has developed its own terms and condition accordance with such guidelines.

Program Benefits
(1) Guest Measurement & Tracking, Service Differentiation
Through innovative database marketing and careful attention to guest feedback, Honored Guest Awards has been immensely successful in building product loyalty, encouraging customer loyalty and cementing all-important personalized relationships with guests.

(2) Increased Frequency of Visits and Market Share. Thanks to a
wide spectrum of achievable rewards and incentives, frequent business travelers concentrates their stays with Marriott whenever possible. Marriott's successes are twofold: a more complete business relationship with members -- who tend to increase their frequency of both their business and leisure travel stays (e.g., weekend "escapes," resort vacations) as well as consider group/convention patronage -- followed by a measurable increase in market share. In fact, over the life of the Honored Guest Awards program, extensive research has measured significant (double-digit) incremental business from members in contrast to their non-member peers.
II. Program Evaluation Method

Name of Hotel:___________________ Name of Respondent:_______.

Before starting the evaluation, please fill out the following questions first.

Is there any kind of strategy similar to the Honored Guest Awards program running already in your property?

No_______

Yes_______ The name of program__________________________

Starting Year__________________________

Description of program__________________________

The evaluation is composed of two steps.

Step 1: Rate factors in importance. The process begins by assigning the least important factor a rating of 1. Then the next least-important factor is considered. If this factor is considered to be twice as important as the previous one, it is given a rating of 2. If it is only half again as important, it is assigned a rating of 1.5. In fact, the respondents may decide that the second factor rated is really no more important than the first factor rated and give it a rating of 1 also, or even reverse the order of importance in light of further discussion.

Step 2: Measure the adaptability of each factor. Evaluate the adaptability on a 0-to 10 scale. If the program is judged to have a high adaptability of fostering the value represented on a certain factor, it might be assigned a 8 adaptability. If the program has a low adaptability of fostering the same value, it might be given a 2 adaptability.
**Business Factors** Evaluates how the new program will contribute to the hotel's productivity, differentiation of products and services, and management function.

(1) **Productivity** Compares the cost to start and operate the program in your property and the result you can get from it. It evaluates how the program would contribute to the increase of net profit of your property.

<table>
<thead>
<tr>
<th>Importance</th>
<th>Adaptability</th>
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<tbody>
<tr>
<td>Increase the customer loyalty?</td>
<td></td>
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<tr>
<td>Increase occupancy rate?</td>
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<td>Increase revenue other than Room Department?</td>
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<td>Increased revenue can justify the program's cost?</td>
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(2) **Differentiation** Estimates how the program contribute to the differentiation of products and services which can satisfy the changing business customer's needs.

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<tbody>
<tr>
<td>Style, price, quality, or uniqueness of service affected?</td>
<td></td>
</tr>
<tr>
<td>Better satisfying demands of business travellers?</td>
<td></td>
</tr>
<tr>
<td>Better relationship with business travelers?</td>
<td></td>
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<tr>
<td>Company's image enhanced?</td>
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</table>

(3) **Management Function** Determines whether managers can devise competitive strategies, innovate, and adapt changes in their market from the information about frequent customers.

<table>
<thead>
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<th>I</th>
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<tbody>
<tr>
<td>Managers get high quality of information about guests?</td>
<td></td>
</tr>
<tr>
<td>Supports budgeting and</td>
<td></td>
</tr>
<tr>
<td>Gives information about customer complaints or status?</td>
<td></td>
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<tr>
<td>Assist decision-making tasks of other programs?</td>
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</table>
Feasibility Factors The program must achieve a high technical, economical, legal, and operational feasibility factor score derived as follows.

(4) Technical Feasibility Determines whether the technology is available to support the program in Korea. 

I ________ A ________

Uses established, well-known technology platform in Korea?

New technology platform required in Korea?

The technology available in Korea?

More than one foreign vendor involved?

(5) Economical Feasibility Determines whether adequate funds can be committed to implement the new program. 

I ________ A ________

Total commitment from senior management?

Total development fund allocated and committed?

(6) Legal Feasibility Determines whether there are any conflicts between the program being evaluated and the hotel's ability to carry out its legal obligations. 

I ________ A ________

Satisfied with the program as it relates to governmental regulations, approvals, and applicable taxes?

Controls over anticipated problems such as fraud, abuse, or divulgence of private information emphasized?

(7) Operational Feasibility Determines whether existing procedures and employee skills are adequate to operate the proposed program or must be changed or acquired. 

I ________ A ________

Known process or unique, unknown process?

Involves knowledgeable and committed users?

Additional employee training is needed?
**Program Design Factors**  Programs design quality generally depends on the characteristics that distinguish a particular program's design and determine its value.

(8) **Maintainability**  Programs are more maintainable if they use standard technology, standard computer configurations and modular design. This determines the long term operational probability of program. Importance_________ Adaptability_________

  Standard computer network?
  Standard technology used in Korea?
  Foreign users other than Americans considered during program design?
  Easy to amend or revise for use of the Korean market?
  Any similar program in Korea?
  Designed to give too many customers awards in the long term?

(9) **Reliability**  A program's reliability is enhanced by fault avoidance and fault tolerance. Fault avoidance, which reduces the probability that the program will fail, is achieved through such design techniques as design review, walkthrough, sign-offs by users and management, controls, rigorous testing, and benchmarking. Importance_________ Adaptability_________

  Any internal users before applying the program in your property?
  Thorough reviews and walkthroughs?
  Response of existing program users?
  Anticipated fault?
  Fault recovery plan to be established?
(10) **Extendibility**  Extendibility gives a system flexibility so it can be adapted to satisfy changing user requirements. A program may work well for a short time, but because it is inflexible and lacks the ability to grow and adapt, it fails when user requirements change. Importance_________ Adaptability_________

Program design is flexible?

Program design indicates an ability to grow and adapt?

Comments: