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VICTORIA UNIVERSITY OF TECHNOLOGY



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**THE PERFORMANCE OF
ACCOMMODATION COOPERATIVES
IN AUSTRALIA**



BY

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for the degree of
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DECLARATION:

I Leo Jago hereby declare that the presented work has not been previously submitted for any other academic award.

Melbourne, May 1991



L.K. Jago.

To my incredibly tolerant wife Wendy.

TABLE OF CONTENTS

	<u>PAGE</u>
EXECUTIVE SUMMARY	3
ACKNOWLEDGMENTS	4
1.0 INTRODUCTION	5
2.0 OBJECTIVES	8
3.0 DEFINITIONS	9
4.0 PURPOSE OF STUDY	9
5.0 METHODOLOGY	10
6.0 LIMITATIONS OF STUDY	11
7.0 LITERATURE REVIEW	12
7.1 GENERAL	12
7.2 BACKGROUND ON THE DEVELOPMENT OF ACCOMMODATION COOPERATIVES IN AUSTRALIA	16
7.3 WHAT THE AUSTRALIAN ACCOMMODATION COOPERATIVES OFFER THEIR MEMBERS	23
7.4 PROFILE OF EXISTING ACCOMMODATION COOPERATIVES	28
8.0 THE SURVEY	44
8.1 THE QUESTIONNAIRE	44
8.2 THE SAMPLE	45
9.0 RESULTS	47
9.1 DISCUSSION OF FREQUENCY ANALYSIS	51
9.2 DISCUSSION OF CROSS TABULATIONS	70
9.3 GENERAL COMMENTS MADE BY RESPONDENTS ON THEIR CHAIN MEMBERSHIP	74
9.4 RESPONSE TO GENERAL COMMENT SECTION	77
10.0 INTERVIEW WITH THE PROMOTER OF THE IMAGE MOTEL GROUP	79

	<u>PAGE</u>
11.0 INTERVIEWS WITH SOME EXPERIENCED INDIVIDUALS CLOSELY ASSOCIATED WITH THE ACCOMMODATION INDUSTRY	85
11.1 BEST WESTERN MOTELIERS	85
11.2 FLAG MOTELIERS	87
11.3 INTERVIEW WITH A MOTEL BROKER	88
12.0 DISCUSSION OF RESULTS	91
12.1 REASONS FOR BELONGING TO AN ACCOMMODATION COOPERATIVE	91
12.2 PERFORMANCE OF THE CURRENT ACCOMMODATION COOPERATIVES	94
12.3 REASONS WHY MORE MEMBERS HAD NOT RESIGNED FROM THEIR CHAIN.	101
12.4 MAJOR PROBLEMS OF THE ACCOMMODATION COOPERATIVES	101
12.5 OTHER GENERAL PROBLEMS	103
13.0 CONCLUSIONS	110
14.0 APPENDICES	119
APPENDIX A. THE QUESTIONNAIRE	119
APPENDIX B. CROSS TABULATIONS	122
APPENDIX C. LISTING OF THE GENERAL COMMENTS MADE BY RESPONDENTS TO THE QUESTIONNAIRE	133
15.0 BIBLIOGRAPHY	139

EXECUTIVE SUMMARY

The aim of this study was to determine whether the Australian accommodation cooperatives have been successful in meeting the objectives of their constituent members.

A questionnaire was sent out to a sample of accommodation cooperative members, and the results obtained were supplemented by information received via interviews with a number of experienced individuals closely associated with the accommodation industry.

The results of the study indicated that the Australian accommodation cooperatives had not been highly successful in meeting the objectives of their members, but it was found that this result varied across the individual chains.

The study also showed wide support for accommodation cooperatives in principle, but substantial disenchantment with the manner in which most of the groups had performed in practice.

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1.0 INTRODUCTION

During the 1980's, the Australian tourism industry showed rapid growth, and by 1988 accounted for over 5.4% of GDP. Since 1988, there has been a general downturn in Australia's tourism industry due largely to a prolonged pilot dispute in 1989, followed by a general slowdown in the world economy exacerbated by the poor performance of the Australian economy. Despite these setbacks for the industry, the long term growth potential of the tourism industry and its importance for Australia are now widely recognised.

In 1989-90, gross receipts from tourism amounted to \$23.4 billion or 5.1% of GDP. (Thirlwell, 1991; p35)

This recognition has been influenced largely by the industry's ability to improve Australia's balance of payments position, coupled with the fact that the industry is quite labour intensive.

(Tourism is) one of Australia's top export earners, generating about \$6.7 billion in foreign exchange earnings last year and employing more than 400,000 Australians. (Moffet, 1991; p31)

In recent years it has become more popular to study Tourism using a Systems Approach. Such an approach recognises that Tourism is made up of a number of interrelated groups that work together to achieve the overall objectives.

There are a variety of "systems" described by authors in the tourism field (such as McIntosh (1990) and Sessa (1983)), but all these systems seem to include the same key elements, namely: transport, accommodation, attractions and activities. The wording used to describe these elements may vary, but the basic ingredients are the same.

In general, accommodation is not a motivation for tourism, but it forms an essential component. Visiting friends and relatives (VFR) is a prime motivator for tourism in Australia, and in fact some 44% of the total overnight stays during 1989/90 were spent in the residence of a friend or relative. 16% of the overnight stays during 1989/90 were spent in hotels or motels with facilities. (Domestic Tourism Monitor, 1989/90). According to the 1989/90 Domestic Tourism Monitor Annual Summary, these percentages have remained fairly constant since the early 1980's. In the United States, 17% of the tourist dollar is spent on lodging (McIntosh, 1990 p18) and is therefore a substantial economic component of the tourism industry. According to Information Officers at both the Australian Bureau of Statistics and at the Bureau of Tourism Research (BTR), no studies have been carried out in Australia to identify the percentage of the tourist dollar that is spent on accommodation. BTR has been promised funding for such a study to commence later this year.

In Australia at the end of the December quarter 1990, there were 4878 hotels, motels and guest houses with facilities. (ABS Report Tourist Information in Australia, December Quarter 1990). In recent years, the primary focus within the Australian accommodation sector has been on 5 star hotels and yet, according to the 1990 Winter edition of the Australian National Tourguide, they number only 54. This represents just over 1% of the total number of hotels in Australia.

These are the glamour properties; they attracted publicity in the late 1980's as a result of their massive construction costs and their high profile owners. Since 1990 they have again been the focus of attention, but this time because of their low occupancies and subsequent bankruptcies.

The properties below the 5 star level have attracted less publicity and yet account for over 98% of the industry. Within this silent majority, some 1179 properties were part of accommodation cooperatives at 1 January 1991 according to the October 1990 editions of the various chains' accommodation directories. This amounts to some 25% of the total accommodation market and includes properties scattered throughout Australia, not just in capital cities as tends to be the case with 5 star properties. Accommodation cooperatives having such a broad membership base therefore play a fairly important role in the tourist industry, and yet their role has received very little attention.

Note: The "star" and "diamond" ratings used in this report refer to the hotel/motel rating system used by the Australian Automobile Association in all their publications.

2.0 OBJECTIVES

Worldwide there has been a fairly dramatic growth in the number of accommodation establishments belonging to some kind of chain. This trend has been noted in many articles such as those written by authors Glen Withiam (1985; p50) and Saul Leonard (1987). Based upon discussions with operators of hotels and motels belonging to accommodation cooperatives, it appeared that there were some substantial problems within these groups. This view was supported by a number of articles written that were critical of how these cooperatives were performing. (Taylor (1990) and Motel Management (1990)).

It appeared that motels were joining these accommodation cooperatives and then finding that the cooperatives did not deliver all that was expected by the member.

The objective of this study was therefore to determine whether accommodation cooperatives in Australia have been successful in satisfying the objectives of their constituent members.

3.0 DEFINITIONS

An accommodation cooperative refers to a non-profit organisation, in which a group of accommodation properties band together to jointly market their properties and refer business between themselves. The cooperative is controlled by a board of directors that is elected by the members, from the members. Each member property receives one vote.

It is important to stress that these cooperatives are quite different in both structure and method of operation from company owned chains, franchises and management contracts. The properties within a cooperative are independently owned and operated which allows for great diversity between individual properties. This difference is not widely recognised, and many people simply view them as properties owned by a single company trading under the chain name.

In this study success will be determined via a questionnaire sent to a sample of cooperative members themselves. Overall success will be decided via a frequency analysis of members' responses to this questionnaire.

4.0 PURPOSE OF STUDY

It has already been shown in the introduction that accommodation cooperatives form quite a substantial component of Australia's accommodation sector. Based on a fairly extensive literature search, it would appear that very little analytical work has been done within this sector of the industry.

Based upon discussions with operators within the industry, and the apparent difficulty that a number of these cooperatives have in maintaining their membership, it would appear that there is a fair level of dissatisfaction amongst members.

This study hopes to establish the key reasons for joining accommodation cooperatives and make a preliminary assessment as to how successful these cooperatives are in satisfying their members needs. It is also hoped that it will be possible to identify the major failings of the cooperatives based on the views expressed by members.

In setting the framework for this study, it will be necessary to identify the major differences between accommodation cooperatives and other structures within the accommodation industry. These differences are important in understanding why accommodation cooperatives developed and how they operate, and it is hoped that the preliminary work done here may provide a basis for further studies in this area.

5.0 METHODOLOGY

The approach used in this study to assess the success of accommodation cooperatives in meeting the goals set by their constituent members was via a survey sent to member properties. The data collected in this manner was also supplemented via interviews with people either in, or closely associated with the accommodation industry.

6.0 LIMITATIONS OF THE STUDY

The sample chosen for this study amounted to 406 properties, representing some 34% of the total population. Due to financial constraints that will be described in a later section, 321 questionnaires, or 79% of the sample, were sent to members of one cooperative. The potential for a biased result is recognised at the outset.

Given that this study has been undertaken as a minor thesis, there is certainly no claim here to say that it is all embracing or able to offer categoric conclusions. It is hoped however, that it will provide information on possible trends, and a basis for future and more comprehensive studies.

7.0 LITERATURE REVIEW

7.1 GENERAL

Despite a fairly extensive computer data base search as well as a manual review of more recent Tourist Industry publications, very little information was found relating to the concept of accommodation cooperatives. Interviews have also been carried out with senior staff in the Tourism Division of Horwath and Horwath in Sydney, as well as with management staff within all the Australian accommodation cooperatives in an effort to find literature on accommodation cooperatives. This effort was largely unsuccessful. There have been many articles written on the accommodation industry in general, and on company owned hotel chains and franchises in particular, but this has little specific relevance to accommodation cooperatives.

Much of the available literature on the accommodation industry has been written in the United States and refers to the growing importance of hotel chains. The hotel chains referred to in these articles are company owned chains, franchises and management contracts. However, because the accommodation cooperatives in Australia have been referred to as chains, there is the misguided belief that the content of these articles refers equally to accommodation cooperatives.

The growth of accommodation chains per se, has been spectacular over the past 40 years and this growth is expected to continue. According to an article written by Glenn Withiam "... the pace of chains' growth is greater than that of the industry as a whole, and this should continue." (Withiam 1985; p50)

More and more hotels worldwide are coming under some type of chain umbrella:

Laventhol and Horwath estimate that 60% of all current US hotel rooms - representing 70 to 75% of industry revenue - are currently affiliated with chains of some sort. By 1992 it is estimated that 75% of all US hotels will be part of multiunit operations.
(Leonard, 1987; p51)

Economy of scale is a major factor in the growth of hotel chains. Chains provide wider and more cost effective exposure, with central reservations systems and group marketing strategies for operators, whilst providing enhanced career structures for staff. Growth in the number and size of company owned chains and franchises has put enormous pressure on the independent accommodation suppliers. Their ability to compete in a market dominated by company controlled chains has been substantially reduced, especially as a result of the many computer reservation systems that the travelling public can now access through agents.

The powerful competitive pressure being exerted by the changing structure of the hotel industry has forced smaller independent companies to affiliate with marketing consortia and referral organisations to be adequately represented and identified in the lodging marketplace.
(Go, 1988; p44)

One reason for the popularity of the referral groups is that members who are independent operators achieve the marketing benefits of chains without chain membership.
(McIntosh 1990; p108)

This concept of independent operators is vital in discussing accommodation cooperatives, as it is the major difference between a cooperative and other types of hotel chains.

Under the more traditional view of a hotel chain, a company purchases a controlling interest in hotels in a variety of locations, and runs them under the company name. The hotels so acquired or built are usually of a very similar style and standard. Since each separate hotel is owned by the same company, the price and standard of all goods and services offered can be tightly controlled, and thus the customer knows clearly what to expect at each facility within the chain. Economies of scale are obviously achieved through centralising many of the functions such as marketing, reservations, staff training and group purchasing. Franchising operates in a similar manner in that the rights to operate a hotel within a chain are sold to an operator outside the company, on the basis that the operation follows the chain's guidelines closely. Franchising has the benefit from the franchisor's perspective that it reduces the company's financial commitment, but ensures that the chain has representation in a very controlled manner.

The rise of the hotel chain under the conditions listed above put enormous pressure on the independent operators; how were they to compete with the marketing power of these large chains? The answer was to form accommodation cooperatives whereby they maintained their independence but were able to derive many of the economies of scale enjoyed by the more traditional chains.

There tends to be far greater diversity of hotel types and standards within these cooperatives, but their pooled resources under the chain logo enables them to achieve far greater public exposure than any of them could ever hope to achieve as an independent.

Together, the hotels in a referral association could bring their advertising levels up to that of the chains, but they needed to craft a different message.....The members insisted on retaining separate identities and operational independence, so an advertising campaign could not promise similar facilities.....The heart of the marketing effort is image by association. No one property is ever featured in the associations advertising, because each property is unique and none could represent the group." (Withiam, 1987; p78)

A major difficulty with accommodation cooperatives however, is that they do not generally respond quickly to changes in the operating environment. This is largely due to the fact that the cooperatives are run along democratic lines, whereby for a major decision to be effective, the issue must be widely canvassed with members and receive majority support. This contrasts with company owned chains where decisions are made at the company's Head Office and directives are sent out to individual properties; there is no question as to whether the individual properties will accept the decision. The variance in the standard of properties within a particular cooperative also tends to pose problems with respect to the attitudes of the travelling public.

It should be noted that the development process of accommodation cooperatives in Australia was quite different from their development in the USA. In the USA, there was a substantial growth in the number of company owned chains and franchises, all of which forced the independent hotels to band together in cooperatives to counter their dominance. In Australia however, growth of company owned chains and franchises has been much slower, and has really only occurred to any substantial degree in the mid to late 1980's. The growth of accommodation cooperatives within Australia was initially as a result of some concerned moteliers seeing the need to set and maintain standards. The development of the referral and marketing roles was then a natural progression and was in part influenced by trends in the USA rather than pressure from company owned chains.

7.2 BACKGROUND ON THE DEVELOPMENT OF ACCOMMODATION COOPERATIVES IN AUSTRALIA.

As has been mentioned earlier, there appears to be very little information available on accommodation cooperatives in Australia and this extends to the very history of the groups themselves. Since the groups have been remiss in not documenting their history, it is now quite a test for some of the early chain members to accurately recall what occurred over 30 years ago.

Documenting the history of accommodation cooperatives in Australia would be a major study in its own right and falls outside the scope of this exercise. However, it is necessary to understand in general terms the way in which these groups developed in order to appreciate the expectations members have of these groups.

In Australia there are currently 4 accommodation cooperatives:

1. Best Western Australia (the trading name of Motel Federation of Australia (MFA), the original accommodation cooperative)
2. Budget Motel Chain
3. Flag International
4. Golden Chain.

There have been a number of other chains that have not survived, and although they played a role in the development of the industry, they are no longer in existence and will not be discussed here.

MOTEL FEDERATION OF AUSTRALIA

The first accommodation cooperative was formed in Australia in 1957 and was called Motel Federation of Australia (MFA). It was established primarily as a standards organisation and it was not until years later that a marketing role developed.

In the very early years of MFA the group comprised public companies, private companies and independents, but because of their size and weight of numbers it would appear that the organisation was dominated by the public companies. The history of MFA is not documented in any form and relies heavily on the recollections of a few early members.

FLAG MOTELS

In October 1961, a number of the independent MFA members under the leadership of Angus Taylor, formed a subgroup within MFA known as Flag Motels. The purpose of this group was:

...to become a dedicated referral group; to talk to travellers using their motels and try to encourage them to book to another independent Flag motel within the body of the MFA. (Taylor, July 1990)

In his document titled "The Early History of Flag Inn", Angus Taylor stresses repeatedly that Flag was established for inter-property referrals and to produce an accommodation directory.

Despite a somewhat turbulent period, the Flag group operated within MFA until finally in June 1964, 47 members of Flag Motels resigned en masse from MFA to operate in their own right under the Flag banner.

A history of the Flag group from its' inception in 1961 until 1990 was written by the group's founder, Angus Taylor, in July 1990.

This document was initiated by Angus Taylor and was written to justify his role in the founding of Flag as well as to pursue some political differences he was having with the current Board and Management of the group. It does however, provide a useful insight into the development of Flag Motels. Flag has now commissioned an historian to document the early days of the group.

The Flag Motel group has shown strong growth since its inception and now numbers some 430 properties throughout Australia, 51 properties in New Zealand and 8 properties in Fiji and Hong Kong. Flag Motels changed their name to Flag Inns and then again recently to Flag International. The group has opened overseas reservation centres in New Zealand, United States of America, Canada, United Kingdom, Frankfurt and Singapore.

MOTEL FEDERATION OF AUSTRALIA (CONTINUED)

MFA recognised the importance of referring business between member properties after the Flag Motels group broke away from it in 1964. It then followed the lead set by Flag Motels and introduced an accommodation directory for distribution to the travelling public. MFA changed its' trading name to Homestead Motor Inns in 1975, and in March 1981 the group affiliated with Best Western International Inc, the largest lodging chain in the world.

MFA traded as Best Western Homestead (generally known as Homestead), from 1981 until April 1989 when it changed its' name to Best Western Australia.

The MFA group increased its membership over the years reaching a peak membership of in excess of 420 members in late 1987. Since 1987, MFA trading as Best Western Australia (BW) has had substantial and quite widely publicised financial problems that have resulted in a fall in membership to around 320 properties as listed in the October 1990 accommodation directory. The questionnaire used in the study was based on the membership as listed in the October 1990 accommodation directory, and it should be noted that at the time of writing this report, the April 1991 directories have been released and the Best Western membership has further slipped to 275 properties.

GOLDEN CHAIN MOTOR INNS

The Golden Chain group was formed by Henry Rose in 1968 and was in fact a split from the Flag group by a number of members unhappy about a decision by Flag to introduce a new advertising levy.

It has been extremely difficult to get much concrete data regarding the early days of Golden Chain as the group has changed its status and management a number of times over the years and there do not seem to be any records available.

An early member, Mr Les Corn, indicated that the group was never able to afford the funds to provide the appropriate level of marketing needed to attract properties from MFA or Flag, and therefore had a membership that hovered for years around the 60 mark.

Golden Chain was run as a membership cooperative until about 1985 when Entity Corp obtained the management rights to both Golden Chain and Zebra. The operation was turned into a franchise and was run as Golden Chain Zebra. In December 1986 the Zebra name ceased to be used as a trading name.

At this time the group had just over 100 members and there was little consistency in the services offered and the signage used. In late 1986, a new General Manager was appointed and he initiated a major reorganisation. This reorganisation resulted in membership dropping back to 54 properties.

Other sectors of Entity Corp struck severe financial problems after the 1987 stock market crash and this resulted in a withdrawal of funding from the group's motel division.

There had been a substantial increase in the number of members of Golden Chain during 1987 and 1988, and according to the then General Manager, the accommodation directory to be published at the end of 1988 had 140 members. Due to a complete lack of funds this directory was never published.

In December 1988, Entity Corp finally handed the Golden Chain name back to the members and the group reverted to a membership cooperative. Membership again declined but has since climbed up to a total of 83 in the October 1990 directory.

THE BUDGET MOTEL CHAIN

The Budget Motel Chain is the newest of the accommodation cooperatives in Australia having been formed in April 1978. According to a short history produced by the Budget Chain itself, the group was based on the Budget Motel 6 Chain in the United States of America. The chain is based around:

...privately owned and operated motels which offer clean, comfortable, low tariff accommodation joining together for referral links and joint advertising around Australia. (Budget Motel Chain History, p1)

The Budget Motel Chain is a "no frills" group that has a head office staff of 3 and no expensive equipment to add to the overheads. Members themselves are responsible for much of the work that needs to be done for the group.

The group has shown quite steady growth from its inception in 1978 to a membership in the October 1990 accommodation directory of 346. The Budget Motel Chain has recently affiliated with Budget Host Inns in the USA and Canada.

IMAGE MOTEL GROUP

At the time of writing this report there is another group that is hoping to commence operations in Australia. The commencement date for the group was to be 1 April 1991 but this has now been put back until July 1991. This group is called the Image Motel Group and is really a hybrid accommodation cooperative. It is a hybrid in that the chain members will control the marketing and membership of the group, but the actual administration of the group will be contracted out to a private company for a fixed percentage of the membership fee.

It now appears that in the current economic environment, the Image Motel Group has not been able to attract the number of members it needs to actually commence operations.

7.3 WHAT THE AUSTRALIAN ACCOMMODATION COOPERATIVES OFFER THEIR MEMBERS.

The information used in this section comes from the "membership packages" that each of the groups sends out to prospective member properties.

BEST WESTERN AUSTRALIA

In the Best Western Prospective Membership kit, it is stated that Best Western Australia "has a responsibility to serve the collective interest of the membership in Best Western by making membership desirable and profitable for each owner".

Best Western strongly emphasises the fact that it is linked with Best Western International which is the largest accommodation chain in the world. The group also lists a number of other benefits for member properties such as:

- an advanced computer reservation system
- strong corporate market presence
- travel club cards and accommodation passes
- competitive rate on credit card commissions
- a bi-annual accommodation directory with worldwide circulation
- group purchasing
- high and uniform standards throughout the group
- national advertising programs
- inter property referrals

Best Western is a non-profit organisation operated on behalf of its members. We have one major goal, that of increasing your profits by extending to you the advantages of a nationally recognised brand name and marketing organisation. (Prospective Membership Kit)

BUDGET MOTEL CHAIN

The Budget Motel Chain is a "no frills" organisation that keeps all overheads to an absolute minimum. It is run with a Head Office staff of 3 and the group relies on the phone for reservations rather than computers or telexes.

...the Budget Chain has lived up to its "Budget" image with regard to its own administration and has had to rely on the enthusiasm of its members and the general public to spread the message for the Chain simply through lack of funds to embark on a National Television advertising program or similar expensive media coverage for advertising.

...(it has been) a major aim of the Chain to limit the overheads of Head Office and thus keep the subscription levels to a minimum. This has been achieved to a most rewarding effect with subscription levels about one twentieth the level of other comparable chains.

The National average of unit size for the Budget Motel Chain is 17.4 units and so to this end practically all our member motels are truly owner/operated and the guest has a much better chance of enjoying personalised service as in most cases the guest deals direct with the owners and not paid staff as many of the larger motels in other chains are faced with.

A strong emphasis has been placed by Mr Bennett to unite the membership into a "Family" type structure and this has been largely achieved with much goodwill and friendship among the members...
(Summary of Budget Motel Chain)

FLAG INTERNATIONAL LIMITED

In its Membership Proposal Kit, Flag describes its mission:

To enhance, measurably and cost-effectively, the profitability and value of each member's business investment through the provision to all target markets of superior

- products
- customer service
- representation in the Pacific Rim region and stopover cities, and
- network-wide, interactive, real time data communication facility.

Flag lists its key membership benefits as follows:

- Greatly improved occupancies, profitability and appreciation of the value of a Member's business.
- An internationally accepted and advertised brand name with a high quality image.
- Hundreds of Flag International Members to act as booking agents, preselling accommodation for members.

- Prominent listing in the Flag Directory with a circulation of more than one million copies.
- Significant savings through Flag's preferred suppliers.
- A corporate scheme offering guaranteed payment.
- Flag's Super Sally worldwide instant reservation system operating 24 hours per day.
- Reduced credit card merchant commissions.

GOLDEN CHAIN MOTOR INNS

The objective of Golden Chain Motor Inns is listed as "not wanting to become the largest accommodation Chain in Australia but rather wanting to be the best!".

It is stated in the membership documents that their techniques for achieving this objective will be good for guests and members alike.

Golden Chain Motor Inns regards the "top end of the Australian domestic travel markets" as their target market and stress that it is not their intention to be all things to all people.

In Golden Chain Motor Inn's membership literature the benefits of chain membership are stressed starting with the unsourced statement that "85% of travellers prefer Chain-identified properties". The membership literature then goes on to list all the reasons for choosing Golden Chain as the preferred chain.

The group's main emphasis is:

- Consistent high motel standard.
- Emphasis on marketing and promotional activities.
- No compulsion for a computerised reservation system.
- Small staff structure at Head Office.
- Lower membership fees.

It is interesting to note that a number of the benefits listed for membership of Golden Chain Motor Inns, refer to factors that the group does not have rather than factors it does have. The group seems to have identified certain elements of membership of the other groups as having caused concerns amongst their memberships and are at pains to show that these elements do not feature within the Golden Chain group.

The whole area of computerisation falls into this category as does the size of the staff within head office.

IMAGE MOTEL GROUP

Between September 1990 and April 1991, substantial effort was expended by a number of individuals in attempting to launch a new motel group to be known as Image Motel Group.

Launch of the new group has now been deferred indefinitely as the promoter has been unable to obtain commitments from a sufficient number of properties to ensure viability of the group in the current economic conditions.

As stated earlier, the Image Motel Group was to be a hybrid accommodation cooperative in that it had the key elements of a cooperative but the administration functions of the group were to be contracted out to a private company.

The promoter of the group sent out a membership information letter to prospective members in November 1990 and this lists the major objectives of the group.

Examination of this membership document lists the following as the major objectives of the group:

- The chain cares about its members.
- Administration of the group will not exceed 25% of the membership fee.
- A user friendly computerised booking system.
- A national directory and national advertising.
- Clearly defined and innovative marketing strategy.

7.4 PROFILE OF EXISTING ACCOMMODATION COOPERATIVES.

BEST WESTERN

In April 1989 the Motel Federation of Australia (MFA) trading as Best Western Homestead dropped the Homestead name and began trading as Best Western Australia. An intensive media campaign accompanied this name change, but due to financial pressures within the group, this campaign only lasted a few weeks.

The group had been trading under the Homestead banner for some 14 years and had built quite a following, and it would seem that the group did not really have the funds to afford the media campaign needed to support a name change.

Best Western, like the other accommodation cooperatives, is primarily a marketing group and yet in the two years since the name change, it has received little overall publicity and what it has received, tended to focus on the problems within the group. This has stretched the relationship between the members and the group itself. The features of the group that have received some coverage in the media have been the poor management performance of the group and the high debt burden being supported by the group.

Best Western has had five Chief Executive Officers since 1986 with the most recent, Mr Jon Liddicoat, being appointed in March 1991. It would appear that these Chief Executive Officers left the organisation after disagreements with the Board.

This succession of people filling the senior position at Best Western has led to concerns regarding the stability of the group.

Best Western Chief Executive ... got rolled in a board room upheaval. Clifton-Steele is the third Best Western chief to buck board involvement in the day to day management of the group. His predecessors Peter Berger and Bryan White left their posts in similar circumstances. (Tourism Monitor Vol.4 No.8; p81)

The problems encountered with the top position at Best Western also existed in some of the second line positions as reported on page 3 of Travelweek on November 21 1990 entitled: "Best Western sackings free Taylor for top ITOA post."

Mr Taylor....had lost his job as sales manager of Best Western.

He was a victim of retrenchments at Best Western which also included general manager-finance and company secretary, Don Hochkins, and chief executive, Rob Clifton-Steele.

They followed a report that the chain has debts of \$8 million against assets of \$4 million.

The financial problems encountered by Best Western were also picked up in the travel press. Articles written highlighted the need for the group to introduce a 25% special levy on members in 1989 to keep the group solvent and the large debt burden the group has built.

Sydney-based Best Western is to undertake significant debt restructuring. The accommodation cooperative has been under a financial strain for some time. Some of the problem stems from the purchase of a significant number of IBM computer terminals which were intended for co-op members' use.

Most of the computers however have never found their way into productive use.

The Perth office was closed last month, and it is understood the Ultimo head office of the group is to be sold to help reduce debt levels.

It is understood Best Western is carrying at least \$7 million of debt. Negotiations over the computer liabilities with IBM are also understood to be continuing.

Membership of Best Western is down on last year's numbers, with "some motels" electing to retire when hit with a special 25% levy.

Best Western has had a number of general managers in recent years, including Berger, Clifton-Steele and White." (Motel Management No1; p1)

The first positive article written on Best Western in a considerable period appeared in the September 3 to 16 1990 edition of Traveltrade. This article was titled "Best Western brand a match for Flag". and was written soon after the 1990 Best Western National Conference which was attended by Mr Ron Evans, the Best Western International Chief Executive Officer.

Best Western expects to launch a new upmarket brand designed to include central business district hotels as part of its strategy to expand its Asia/Pacific base. The move will match Flag International which now includes hotels such as the Menzies at Rialto, Southern Cross and Wrest Point.....

We are now approaching the size of the Flag group in this region, but clearly the addition of more upmarket hotels is the key to further expansion, (Mr Evans) said. (p 16)

Although this article is positive in that it talks of expansion, it does however suggest that the group is simply responding to strategic moves made by Flag International.

In the past two months, March and April 1991, a number of articles have been published on the Best Western group which suggest quite strongly that the group has overcome its major problems and is now well positioned to move ahead. The problems that the group has faced are mentioned in these articles and some description of the manner in which they have been overcome is provided.

Even the titles of these articles acknowledge that Best Western has had substantial problems in recent times but suggest strongly that things are on the improve:

"Best Western back on the road" Australian Business

March 13, 1991 p67 (Ref A)

"Best Western now revitalised" The Australian Motelier
Vol 1 No 1 March 1991 p19 (Ref B)

"Best Western in \$1.2m campaign" Financial Review
2 April 1991 p28 (Ref C)

The excerpts listed below from these articles give some idea of the problems that Best Western has encountered and how the group sees it's future.

Following a troubled period of overspending and membership losses, Best Western have now put their house in order. (Ref B)

Poor management decisions, such as a computer which cost too much and didn't work, and too much being spent on a name change, led to dissatisfaction among Best Western's membership and weakened it against the main rival, Flag International. (Ref A)

...despite Best Western being the world's largest lodging chain covering more than 4,000 independently owned hotels, motels and resorts, its image was very low key in Australia. (Ref C)

...Best Western had to get back to its essential function of marketing services for its members. (Ref C)

Best Western had not had a major advertising campaign for its membership since the chain changed its name from Homestead... (Ref C)

We have restructured our finances, either through debt forgiveness or asset sales. We have a reasonable level of debt we can live with, have an organisational structure that suits our business, and we are working at resetting our strategic priorities. (Ref A)

...the group needed to refocus itself so it could take on its prime competitor Flag Inns and boost its membership, which has fallen from 420 motels to 275 in the past few years." (Ref C)

"...the company spent most of 1990 restructuring its debt, cutting its staff from 80 to 35 and selling surplus assets." (Ref C)

"We want to consolidate our current market position through advertising and marketing....
We are looking at spending \$500,000 in the year to March 1992 on advertising and \$1 million on direct marketing."
(Ref A)

These articles clearly indicate that Best Western believes it has overcome the problems that have threatened the viability of the group in recent years. Only time will tell whether this belief is well founded.

BUDGET MOTEL CHAIN

Budget has shown continued growth over the years to become the second largest accommodation cooperative in Australia and yet continues to have a very low profile.

In the literature search that was carried out, not one article was found on the Budget group. Even in a section titled "Media Release From Motel Chains" included in the Autumn 1990 edition of Innews, there was no mention of Budget.

Mr Peter Bennett is the Managing Director of Budget Motel Chain and has been the head of the group since 1981. Mr Bennett does not even feature in the June 1990 Tourism Monitor's "Australian Tourism's Most Influential 500" and yet he leads a group that is now second only to Flag in terms of numerical strength in Australia. This tends to suggest that the very low profile approach adopted by the Budget Motel Chain has taken even the tourism industry by surprise in that their position within the industry has not been recognised.

In an effort to obtain articles published on the Budget group in recent times, an approach was made to the Budget Head office in Sale. Budget promptly supplied copies of articles that had featured the Budget group in country newspapers. It is therefore apparent that the group has been moderately successful in gaining some exposure in country newspapers but has not been able to obtain publicity in any of the more widely circulated journals or newspapers.

Most of the articles sent by Budget had been printed during the last 6 months, and stressed the fact that Budget had achieved substantial membership growth rates in recent years and was now Australia's second largest motel referral chain.

The success of the Budget national chain, with membership growth rates in excess of 20% for the past five years, should see it soon take over the mantle of Australia's largest motel referral chain. (Gippsland Times; p6)

The other area featured in these articles was that the group now has an overseas affiliation.

...(The chain) recently signed an historical new agreement with the Budget Host Inns chain in the USA and Canada.... (Southern Highland News; p1)

The articles that had been published on Budget were generally carried in the local newspapers of towns in which a Budget zone meeting had been held.

FLAG INTERNATIONAL

Based on a search of the travel press over the past few years, Flag has been by far the most successful of the accommodation cooperatives in having positive articles on the group published. Much of this seems to stem from having a fairly high profile and long serving Chief Executive Officer (CEO) in Mr Graham Couch.

Flag uses all the travel press to ensure that the trade are aware of any changes that are made within the group and publishes articles on a frequent basis to ensure that the group maintains a high profile. In particular, Flag has made extensive mention of its name change, its move into the international market, its Australian-made theme, its computer system known as Super Sally, and some of its travel products.

The profile of Flag has been raised through its CEO's involvement in industry associations such as ATIA, of which he is a director, and his preparedness to provide information on Flag to authors in return for articles written on Flag. The annual performance figures of the group are circulated widely.

The motor inn, executive apartment and resort marketing group organisation, Flag has changed its name and logo.

The group is now Flag International Limited....

The change of name and logo will make it easier for the group to increase market knowledge of its increasingly developing roles in city-centre and resort style properties...

We are now positioning ourselves as a marketing consortium with a full range of travel product and expertise to match the standard of quality and service offered by the world's best, Mr Couch said. (The Travel Reporter Vol.2 No.18; p6)

In an article published in March 1988, the CEO stressed that the group's standards are being continually monitored and that the group is repositioning itself:

...our existing inns have had to re-examine the standards of service and facilities expected of them and strive to meet the exacting demands of a most discriminating public... we have taken action to position ourselves in the mid to upmarket range of accommodation facilities, with our selection process such that only the highest standard properties are accepted.

While the company still accommodates for the family market, new promotional efforts are being targeted at a higher upmarket group.

Flag's development strategies rely on close monitoring of the tourist industry, and immediate adaptation to any obvious trends or movements in the market. (The Travel Reporter, Vol.2 No.7; p10)

Flag's CEO has featured in many articles showing how Flag has made inroads into the international market:

The Australian based Flag International has made vigorous gains in acquiring new accommodation properties in Hong Kong, Canada and China. (The Travel Reporter, Vol.3 No. 18; p18)

Flag International has continued to expand at home and abroad as part of its planned bid for retention of industry leadership in the Pacific Basin and greatly strengthened representation world-wide. (Innews No.29; p27)

Our overseas expansion will generate more than \$2 million in revenue this year, which will translate into reduced fees for Australian properties... (Traveltrade, 28 January 1991; p2)

We have as a major policy move taken a very significant position on the major markets in the world. We started four years ago in the United States, three years ago in the UK, in November we opened in Frankfurt and this month in Singapore....Our projections are that by 1997 we would have at least 50 to 55% of our business as international tourists. We have laid fairly significant foundations in what is potentially the greatest growth market for tourism to this country in the international market.

...we are number three in the world already and we are hell bent on being number one, that might be at the end of the decade. (The Australian Motelier, Vol.1 No.1; p10)

Flag has also publicised their "Australian made" image:

Flag International is claimed to be the first tourism or travel industry operator to receive the "Australian Made" endorsement.

...a new "Stay Australian" logo would be introduced by Flag to capitalise on the endorsement. (Traveltrade April 2-15 1990; p13)

On the issue of Flag products, the CEO has been quoted:

...Flag was continually updating and adding to its range of special holiday packages, including Hotelpass, Flag Vouchers, AussiePass and KiwiPass, and continued to offer substantial discounts and other benefits to frequent business travellers through Flag Innclub. (Innews August 1990 No.29; p27)

Another example of Flag's high profile is in a book titled "Tourism Marketing in Australia" by B King and G Hyde (1989) in which an entire chapter is devoted to Flag and its objectives. In this Flag's CEO reinforces the group's "Australian Image" and the fact that Flag regards company owned chains as more significant competitors than it regards its traditional rival Best Western. As a consequence of this, the CEO stresses that Flag has made substantial efforts to reposition itself further upmarket.

Much of the information contained in the remainder of this section is taken from the writings of Mr Angus Taylor, the founder of Flag.

Mr Taylor retired from the Presidency of Flag in 1978, a post he had held since the group's inception in 1961. In July 1990, Mr Taylor wrote a document titled "The Early History of Flag Inn" which was distributed to Flag members.

The purpose of this document was twofold as stated by Mr Taylor in the preface:

Besides some early history of Flag, this narrative contains some criticism, some (I hope) helpful advice, a reasonable warning and an appeal for support and help.

This document was followed up by two very detailed letters to Flag members written by Mr Taylor on 23 August 1990 and on 10 December 1990 in which he expanded on his concerns regarding the direction being taken by the Flag group.

The Taylor documents are referred to extensively in this section as they provide a useful comment on why a particular cooperative was formed and where it has deviated from the initial objectives. Obviously it is the opinion of one individual, but that individual has vast experience in the accommodation industry spanning over 30 years. It should be pointed out however, that Angus Taylor has some political differences with the current management of the Flag group, which could influence some of his comments. It should also be noted that some of the "more colourful" of Mr Taylor's words have been removed from the quotes listed below as they do not add substance to the discussion. The use of capital letters in some of these quotes is as written by Mr Taylor.

Mr Taylor's major criticism of Flag is that it has lost sight of the original objectives that were established when the group was first founded. Flag, according to Mr Taylor, was established by a group of members of Motel Federation of Australia (MFA), in order to foster referrals between

properties.

The whole purpose, the intention and the goal.... was to form a body of independent motels, all within the MFA chain, to work together as a group and become a dedicated referral group - to talk to travellers using their motels and try to encourage them to book to another independent Flag motel within the body of the MFA. (Taylor, July 1990)

It is clear from Mr Taylor's documents that an important factor in the development of Flag was that the members must control the group.

We decided unanimously, at my proposal, that the members would always be the ultimate rulers of this new-born referral organisation. The Committee was there to carry out the wishes of the members. Although Committee members could propose, all proposals from any members were to be given sufficient discussion, then the final decision was by a majority vote of all members. (Taylor, July 1990)

Keeping control of the organisation in the hands of the rank and file members was seen as important after having been involved in an organisation like MFA where it would appear that independent members had little or no say in the affairs of the organisation. According to Mr Taylor, the MFA organisation was controlled by the large public companies.

In order to ensure that rank and file members had a say on how the Flag organisation was run, a policy was introduced.

...very early in our history we set a policy for decision making which we followed until the time I left the position of Managing Director. We decided that all policy decisions would be made by a majority vote of the members themselves. The function of the Board was to EXECUTE decisions made by the members. This policy was signed to give members a high degree of responsibility and authority." (Taylor, July 1990)

Another important policy formulated by Flag in its early days was in relation to advertising funds:

It was decided....that all monies subscribed for advertising must be exclusively used for that purpose. No salaries, no expenses, nothing but advertising was to be subtracted from the full amount of this subscription. (Taylor, July 1990)

Mr Taylor stresses throughout his writings that the search for "increases in motel occupancy" is the overriding objective of the motel cooperative. It is his obsession.

To be notably successful as a leader of a cooperative group your first and foremost assignment is to devise original ideas, schemes, plans and business tactics which when introduced will always bring more and more business to your group. Occupancy is the objective. Occupancy is the most important, intrinsic and essential reason we are all members of the Flag organisation. The goal of continually increasing all members occupancy is Flag's reason for existence. (Taylor, July 1990)

Occupancy must always be to the front in all discussions for occupancy to all of us is life itself. It is the sublime answer to everything we want or desire. (Taylor, December 1990: 22)

In the letter written by Mr Taylor in December 1990, he outlines what he sees as the major problems with the Flag organisation and most of these seem to stem from the management of the group.

In my view BAD MANAGEMENT is the main problem in Flag. (Taylor, December 1990; p17)

The following series of quotes from this letter by Mr Taylor in December 1990 summarise the problems he sees in Flag:

Gradually and progressively over the past few years, the Flag hierarchy has REPLACED THE DEMOCRATIC PROCESS OF CONTROL WITH AUTOCRACY AND DICTATORSHIP. (Page 1)

I believe the Board has lost touch with the lower echelon, the common rank and file.... (Page 1)

...I strongly believe that Flag is headed for a financial crisis and for a confrontation - a challenging showdown with Flag members themselves who are reaching the limits of their tolerance, sufferance and patience. (Page 1)

(The Board) believe in their....minds that Flag International is the equivalent and parallel to hotel groups such as Sheraton, Hyatt, Hilton, Westin and Stouffers but Flag, in a majority, is not in that realm or scope in the accommodation world and it is only in the Flag administration's....minds that this elaborate....parallel really exists. (Page 3)

The Flag members have absolutely NO SAY whatsoever,...and THE DIRECTORS TELL THE MEMBERS WHAT THEY HAVE TO DO and if the Board's commands are not adhered to, trouble ensues. (Page 4)

If the Board continues to aim so high, I believe that under their leadership, Flag International soon will be totally of the upper echelon or, at best, Flag will be like Quality Inns of the U.S. where there will be two or more classes of Flag accommodation operating under different names. (Page 14)

The vast majority of your NINE MILLION DOLLAR contribution which is spent to keep Flag's head above water SHOULD BE SPENT on promotional and advertising schemes which will contribute to filling Flag Inns rooms, NOT on promoting Flag....administration. (Page 15)

A Board member must believe he or she is a servant of the members, not the reverse. (Page 16)

THE MAJOR REASON THAT OUR RECRUITMENT WAS SO HIGH AND NOW SO LOW IS SIMPLY VALUE FOR MONEY. WE GAVE MORE VALUE FOR MONEY AND NOW THEY GIVE FAR LESS VALUE FOR MUCH MORE MONEY. (Page 25)

These quotes indicate clearly that Mr Taylor believes that Flag has lost sight of its original objectives. He believes that the bureaucracy has been allowed to expand to such a degree that it now devours the bulk of the membership fees.

He is also disturbed that the organisation seems unable to communicate with the rank and file members of the group and decisions are made without true member support which is not consistent with the term cooperative.

Mr Taylor mentions towards the end of his December 1990 letter of the possibility of forming a new group as a solution to the problems being faced, but feels that it is not the most desirable course of action.

Some members are attempting to encourage me to repeat my performance of the 1960's and originate and start a NEW GROUP. Their argument is that progressive and enterprising Flag owners believe the time is ripe for such another adventurous and much needed undertaking. Currently inn operators have no alternative. It is either Flag International or Best Western and both are not living up to expectations. Membership costs now are outweighing advantages gained. Those in favour of starting over, state that an opposition group enlisting members from both Flag and Best Western as a nucleus for its formation would prove to be very successful especially if it could be operated without all the....extravagance currently in vogue. (Taylor, December 1990; 23)

This quote illustrates clearly that Mr Taylor believes that both the major groups have problems and are not delivering members value for money.

GOLDEN CHAIN

Like the Budget Motel Chain, Golden Chain seems to keep a very low profile and the search for published information on Golden Chain revealed very little. Only one article on Golden Chain was found and this was well out of date even at the time the

magazine was printed. The article appeared in the Autumn 1990 edition of Innews and was written by the group's General Manager who resigned shortly before the article was published.

The article was very positive and referred mainly to how Golden Chain would operate after its break away from the Entity Group of companies.

In a time when the industry is suffering and other groups are feeling the impact of increasing cost pressures, the Golden Chain formula for a streamlined administration will ensure its survival.

...(Golden Chain's) unique approach to reservations and other "back to basics" initiatives had proven very popular with independent operators or those who had forsaken other group affiliations because of high costs, complex procedures or computer based reservation systems. In the past two and a half years, after a decision to retain only those properties which were rated at a minimum of 3 diamonds by the motoring organisations, Golden Chain had enjoyed a growth from 58 to 131 member properties. Mr White expects that they will reach a total of 300 members in the next two to three years. (Innews, Autumn 1990 No 29; p27)

In the June 1990 edition of Tourism Monitor's Australian Tourism's most Influential 500, Golden Chain's previous General Manager was still listed even though he had long since left the position.

Both these examples indicate that the group is not able to maintain a current media profile; very few articles are published and those that are published are well out of date.

The Golden Chain head office was approached to see if they could provide information regarding articles published on the group in recent times. The reply was that because ownership of the group had changed, there were no records available.

8.0 THE SURVEY

8.1 THE QUESTIONNAIRE

The questionnaire was developed in January 1991 and had as its objectives the following:

- identify the main reasons why moteliers had joined a chain.
- determine whether or not members were satisfied with their chosen chain.
- identify the major problem areas for those motels dissatisfied with the performance of their chain.
- use closed questions whenever possible to aid with the completion of the questionnaire and its analysis.
- not extend more than 3 pages including the cover letter.

A pilot test of the survey was carried out on 20 moteliers. Analysis of the responses from this pilot test indicated that it was necessary to "open" the question relating to the problems that members saw in their respective chains. It was recognised that "opening" this question would make analysis of the results more difficult, but the pilot test showed that leaving it "closed" was tending to lead respondents in their answers. Other changes that were made as a result of the pilot test were largely rewording parts of questions to make their meaning clearer. The final questionnaire was posted to motels on 15 February 1991 and is included in Appendix A for information.

8.2 THE SAMPLE

According to the October 1990 issues of the various chains' accommodation directories, there were 1179 members of accommodation cooperatives in Australia. It was originally hoped that with the support of the various accommodation cooperatives, the questionnaire could be sent to every cooperative member. However, Best Western Australia was the only cooperative that agreed to assist with the mail out of questionnaires without requiring the questionnaire to be submitted for approval.

Best Western's offer of assistance with the mail out of questionnaires was accepted and a questionnaire with a reply paid envelope was sent to every Best Western member. The questionnaires sent to the Best Western Australia properties were included in the group's regular fortnightly mail out.

As a result of financial restrictions, it was not possible to send questionnaires to all of the non-Best Western properties, and so it was decided to send questionnaires to a sample of 10% of all the remaining properties.

The 10% samples for Budget Motels, Flag International and Golden Chain Motor Inns were selected by choosing every 10th property as listed in the October 1990 accommodation directory of each group. The questionnaires were mailed directly to these selected properties with a reply paid envelope attached.

Questionnaires were sent to 406 properties which amounted to some 34% of the total number of properties in accommodation cooperatives in Australia.

The mix was:

Best Western Australia:	321 questionnaires
Budget Motels:	34 questionnaires
Flag international	43 questionnaires
Golden Chain Motor Inns	8 questionnaires

It was recognised that 79% of the sample was going to a single accommodation cooperative which had the potential to bias the result. However, the questionnaire contained a section that identified which cooperative the respondent belonged to and would therefore allow cross tabulations to be made to determine whether results were related to one chain only or were valid across all chains.

9.0 RESULTS

202 questionnaires were returned which amounted to almost exactly 50% of the total sent out and represents 17% of the number of properties in Australian accommodation cooperatives. The response rate was pleasing given that one of the major accommodation cooperatives indicated that there is normally only a 30% response to any of its correspondence.

All the questionnaires that were returned were useable with less than 5% of them having left out any of the key questions. A small number of respondents did not fully complete the two closed questions that involved multiple responses. These two questions were Q5 which involved assessing the importance of various factors in belonging to a chain, and Q9 which involved determining the factors for not resigning from the chain. It appeared that the respondents who did not fully answer these two questions considered that they had only to comment on the sections of the questions that they deemed important. The information that they supplied was still of value.

The respondents who left out questions, primarily left out from Q10 onwards which involved commenting on problems experienced by their particular chain. This will be expanded upon later in the report.

The final question in the questionnaire was open and asked respondents if they had any other comments to make. 51% of respondents completed this question and a number used additional pages to make their point.

The SPSS program on the cyber computer was used to analyse the data obtained from the returned questionnaires. The responses to Q13, which asked for any additional comments, were not fed into SPSS but were analysed manually and will be discussed in section 9.4 of this report.

Of the remaining 12 questions, 10 were closed and the responses could therefore be entered directly into the SPSS program. Q6 which asked respondents to list the two most important reasons for belonging to a chain and Q11 which asked respondents to list the major problems with their chain were both open questions and the responses to them were somewhat varied. For each of these questions it was decided to manually break the responses into the 9 most frequent categories and allocate the remaining responses into an "other" category. The questionnaires were then adjusted to add "yes" and "no" responses to the 10 categories in each question. This process then allowed each question to be treated as a single response question.

Q6 was listed on the questionnaire as:

Please list what you believe to be the two most important reasons for belonging to a motel chain.

After the manual adjustment as noted above, Q6 essentially became 10 separate questions asking whether or not certain variables were one of the two most important reasons for belonging to the chain. The variables were:

1. Logo
2. Directory
3. Standards
4. Comradeship between members
5. Inter-motel referral system
6. Central reservations office
7. Increased business generated by the chain
8. Prestige
9. Group marketing
10. Other

Q11 was listed in the questionnaire as:

In your opinion, what are the major problems with your motel chain?

After the manual adjustment process, Q11 became 10 separate questions asking whether or not certain variables were regarded as major problems in their group.

The variables were:

1. Financial position
2. Management and staff
3. Reduced membership
4. Low level of chain marketing
5. Computerisation
6. Size and cost of chain
7. Communication within the group
8. Loss of direction
9. State of the Australian economy
10. Other

9.1 DISCUSSION OF FREQUENCY ANALYSIS

Q1. HOW MANY UNITS IN YOUR PROPERTY?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
0 to 10	1	7	3.5
11 to 15	2	28	13.9
16 to 20	3	30	14.9
21 to 30	4	60	29.7
31 to 50	5	45	22.3
51 to 100	6	22	10.9
Above 100	7	10	5.0
		-----	-----
	TOTAL	202	100.0

The results to Q1 show that the majority of the respondents (52%), have properties comprising between 21 and 50 units. Only 15.9% of respondents had properties in excess of 50 units.

Q2. WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Capital city central business	1	15	7.4
Capital city suburban	2	28	13.9
Prov. city with popln above 20K	3	63	31.2
Other	4	96	47.5
		-----	-----
	TOTAL	202	100.0

47.5% of respondents had a property in country towns whose population is less than 20,000 people. Only 21.1% of respondents had properties located in capital cities or their suburbs.

Q3. ON 1 JANUARY 1991, WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Best Western	1	162	80.2
Budget	2	18	8.9
Flag	3	18	8.9
Golden Chain	4	4	2.0
Independent	5	0	0.0
Other	6	0	0.0
		-----	-----
TOTAL		202	100.0

This result indicates that the responses received from properties in the various chains, were in direct proportion to the number of questionnaires sent to each chain.

	<u>% of sample sent out.</u>	<u>% of questionnaires returned.</u>
Best Western	79	80
Budget	8	9
Flag	11	9
Golden Chain	2	2
	----	----
Total	100	100

Q4. HOW LONG HAS YOUR PROPERTY BEEN A MEMBER OF THIS CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
12 months or less	1	14	6.9
13 to 24 months	2	18	8.9
25 to 60 months	3	62	30.7
More than 60 months	4	103	51.0
Did not respond	0	5	2.5
		-----	-----
TOTAL		202	100.0

51% of respondents have been in their respective chains for over 5 years, and only 15.8% have been a member of their chain for less than 2 years. This would tend to indicate a fairly stable membership.

Q5. PLEASE ASSESS HOW IMPORTANT EACH OF THE FOLLOWING FACTORS WERE IN YOUR DECISION TO BELONG TO THE CHAIN. USE THE CODE: ESSENTIAL (1), IMPORTANT (2), HELPFUL (3), UNIMPORTANT (4), IRRELEVANT (5).

CENTRAL RESERVATIONS OFFICE	(1)	(2)	(3)	(4)	(5)
GROUP MARKETING PROGRAM	(1)	(2)	(3)	(4)	(5)
INTER PROPERTY REFERRALS	(1)	(2)	(3)	(4)	(5)
RECOGNISED LOGO	(1)	(2)	(3)	(4)	(5)
OVERSEAS AFFILIATION	(1)	(2)	(3)	(4)	(5)
COMRADESHIP BETWEEN MEMBERS	(1)	(2)	(3)	(4)	(5)
ABLE TO CHARGE HIGHER TARIFFS	(1)	(2)	(3)	(4)	(5)
HIGHER BUSINESS RESALE VALUE	(1)	(2)	(3)	(4)	(5)
ACCOMMODATION DIRECTORY	(1)	(2)	(3)	(4)	(5)
GROUP PURCHASING	(1)	(2)	(3)	(4)	(5)

In order to facilitate the analysis of this question, each of its' 10 parts was treated as a separate question and labelled as Q5.1 to Q5.10 as listed below.

Q5.1 HOW IMPORTANT WAS A CENTRAL RESERVATIONS OFFICE IN YOUR DECISION TO BELONG TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	57	28.2
Important	2	58	28.7
Helpful	3	52	25.7
Unimportant	4	13	6.4
Irrelevant	5	13	6.4
No response	0	9	4.5
		-----	-----
	TOTAL	202	100.0

**Q5.2 HOW IMPORTANT WAS A GROUP MARKETING PROGRAM IN YOUR
DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	76	37.6
Important	2	69	34.2
Helpful	3	28	13.9
Unimportant	4	11	5.4
Irrelevant	5	8	4.0
No response	0	10	5.0
		-----	-----
	TOTAL	202	100.0

**Q5.3 HOW IMPORTANT WERE INTER PROPERTY REFERRALS IN YOUR
DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	80	39.6
Important	2	61	30.2
Helpful	3	40	19.8
Unimportant	4	9	4.5
Irrelevant	5	7	3.5
No response	0	5	2.5
		-----	-----
	TOTAL	202	100.0

**Q5.4 HOW IMPORTANT WAS A RECOGNISED LOGO IN YOUR
DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	121	59.9
Important	2	53	26.2
Helpful	3	15	7.4
Unimportant	4	2	1.0
Irrelevant	5	5	2.5
No response	0	6	3.0
		-----	-----
	TOTAL	202	100.0

**Q5.5 HOW IMPORTANT WERE OVERSEAS AFFILIATIONS IN YOUR
DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	30	14.9
Important	2	33	16.3
Helpful	3	57	28.2
Unimportant	4	36	17.8
Irrelevant	5	37	18.3
No response	0	9	4.5
		-----	-----
	TOTAL	202	100.0

**Q5.6 HOW IMPORTANT WAS COMRADESHIP BETWEEN MEMBERS IN YOUR
DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	57	28.2
Important	2	57	28.2
Helpful	3	56	27.7
Unimportant	4	10	5.0
Irrelevant	5	16	7.9
No response	0	6	3.0
		-----	-----
	TOTAL	202	100.0

**Q5.7 HOW IMPORTANT WAS AN ABILITY TO CHARGE HIGHER TARIFFS
IN YOUR DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	15	7.4
Important	2	28	13.9
Helpful	3	42	20.8
Unimportant	4	30	14.9
Irrelevant	5	76	37.6
No response	0	11	5.4
		-----	-----
	TOTAL	202	100.0

**Q5.8 HOW IMPORTANT WAS A HIGHER BUSINESS RESALE VALUE
IN YOUR DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	20	9.9
Important	2	66	32.7
Helpful	3	49	24.3
Unimportant	4	19	9.4
Irrelevant	5	39	19.3
No response	0	9	4.5
		-----	-----
	TOTAL	202	100.0

**Q5.9 HOW IMPORTANT WAS AN ACCOMMODATION DIRECTORY
IN YOUR DECISION TO BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	121	59.9
Important	2	55	27.2
Helpful	3	14	6.9
Unimportant	4	1	0.5
Irrelevant	5	4	2.0
No response	0	7	3.5
		-----	-----
	TOTAL	202	100.0

**Q5.10 HOW IMPORTANT WAS GROUP PURCHASING IN YOUR DECISION TO
BELONG TO THE CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Essential	1	16	7.9
Important	2	29	14.4
Helpful	3	68	33.7
Unimportant	4	33	16.3
Irrelevant	5	48	23.8
No response	0	8	4.0
		-----	-----
	TOTAL	202	100.0

This is a crucial question as it provides information as to the importance of various factors on members decision to belong to their chain.

The "Accommodation directory" and the chains "logo" were clearly seen as the most important factors by the majority of respondents with 59.9% of respondents rating both factors as essential in their decision to belong to the chain.

"Referrals" was regarded as the next most important factor followed by "group marketing" which were regarded as essential factors by 39.6% and 37.6% of respondents respectively.

28.2% of respondents regarded both "comradeship between motels" and the "central reservations office" as essential whilst the other factors listed were only regarded as essential by between 7 and 14% of respondents.

Q6. PLEASE LIST WHAT YOU BELIEVE TO BE THE TWO MOST IMPORTANT REASONS FOR BELONGING TO A MOTEL CHAIN.

1. _____

2. _____

The responses to Q6 were manually sorted into 10 groupings as was discussed in the previous section of this report.

The data was then converted into 10 separate "yes/no" questions for analysis on SPSS. The frequency analysis for each of the 10 questions 6.1 to 6.10 is listed below.

It should be noted that a response of "no" signifies that this particular variable was not listed, and not that the respondent said "no" to its importance.

Q6.1 IS THE CHAIN'S LOGO ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	88	43.6
No	2	97	48.0
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.2 IS THE CHAIN'S DIRECTORY ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	47	23.3
No	2	138	68.3
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.3 ARE THE CHAIN STANDARDS ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	41	20.3
No	2	144	71.3
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.4 IS THE COMRADESHIP BETWEEN MEMBERS ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	14	6.9
No	2	171	84.7
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.5 IS THE INTER MOTEL REFERRAL SYSTEM ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	53	26.2
No	2	132	65.4
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.6 IS THE CENTRAL RESERVATIONS OFFICE ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	16	7.9
No	2	169	83.7
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.7 IS THE PROSPECT OF INCREASED BUSINESS GENERATED BY THE CHAIN ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	28	13.9
No	2	157	77.7
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.8 IS PRESTIGE ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	10	5.0
No	2	175	86.6
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.9 IS GROUP MARKETING ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	38	18.8
No	2	147	72.8
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6.10 ARE THERE OTHER REASONS NOT LISTED THAT YOU WOULD REGARD AS ONE OF THE TWO MOST IMPORTANT REASONS FOR YOU BELONGING TO THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	23	11.4
No	2	162	80.2
No response	0	17	8.4
		-----	-----
	TOTAL	202	100.0

Q6 was an open question that was included to allow respondents to list the two factors that they regarded as the most important for belonging to the chain. It was expected that most of the major reasons would have already been listed in Q5 but by leaving it open, respondents were able to rank the factors they deemed most important. As would have been expected, there was quite a high level of consistency between the results obtained for Q5 and Q6. The "logo" was considered to be one of the two most important reasons for belonging to the chain by 43.6% of respondents and this was followed in order by "inter motel referrals" at 26.2%, the "accommodation directory" at 23.3%, "standards" at 20.3% and "group marketing" at 18.8%.

The only significant factor included in Q6 that was not included in the list in Q5 was the area of "standards" which was regarded as one of the two most important factors by 20.3% of respondents.

Q7. HOW WOULD YOU RATE YOUR CHAIN'S PERFORMANCE IN OFFERING VALUE FOR MONEY?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Excellent	1	32	15.8
Good	2	46	22.8
Average	3	51	25.2
Poor	4	44	21.8
Dismal	5	28	13.9
No response	0	1	0.5
		----	-----
	TOTAL	202	100.0

This is perhaps the most important question as far as this study is concerned as it is specifically asking how members would rate their chain's performance in offering them, as members, value for money.

A plot of the frequency responses obtained for this question against a scale representing perceived performance would closely approximate a normal distribution curve centred around average performance. This means that by definition, 50% of the respondents believe performance is of average standard or above and 50% believe performance is average or below.

The actual results obtained show that whilst 15.8% of respondents rated their chain's performance as excellent, over one third of respondents (35.7%) rated the performance as either poor or dismal.

Q8 HAVE YOU RESIGNED, OR ARE YOU ABOUT TO RESIGN FROM THE GROUP TO WHICH YOU BELONGED ON 1 JANUARY 1991?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
No	1	76	37.6
Yes	2	25	12.4
No response	0	101	50.0
		----	-----
	TOTAL	202	100.0

12.4% of respondents have resigned from their chain or are about to. This figure corresponds with the number of respondents who rated the performance of their chain as dismal in the previous question (13.9%).

Q9. GIVEN THAT YOU HAVE RATED YOUR GROUP'S PERFORMANCE IN OFFERING VALUE FOR MONEY AS "POOR" OR "DISMAL", WHICH OF THE FOLLOWING REASONS ARE FACTORS IN YOU NOT RESIGNING FROM YOUR CURRENT AFFILIATION?

	YES	NO
UNCERTAIN OF BUSINESS THROUGH CHAIN	(1)	(2)
UNABLE TO JOIN ANOTHER CHAIN	(1)	(2)
RESIGNATION NOT PERMITTED IN LEASE	(1)	(2)
FEAR OF THE UNKNOWN	(1)	(2)
YOU BELIEVE THINGS WILL IMPROVE	(1)	(2)
APATHY	(1)	(2)
LOYALTY TO THE GROUP	(1)	(2)
OTHER	(1)	(2)

For the same reasons as were listed in Q5, this question was broken up into 8 separate sub questions Q9.1 to 9.8 for analysis as follows.

Q9.1 WAS YOUR UNCERTAINTY OF THE BUSINESS GENERATED BY THE CHAIN A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	22	10.9
No	2	29	14.4
No response	0	151	74.8
		----	-----
	TOTAL	202	100.0

Q9.2 WAS YOUR INABILITY TO JOIN ANOTHER CHAIN A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	3	1.5
No	2	48	23.8
No response	0	151	74.8
		----	-----
	TOTAL	202	100.0

Q9.3 WAS THE FACT THAT RESIGNATION IS NOT PERMITTED UNDER YOUR LEASE A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	5	2.5
No	2	46	22.8
No response	0	151	74.8
		----	-----
	TOTAL	202	100.0

Q9.4 WAS FEAR OF THE UNKNOWN A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	20	9.9
No	2	29	14.4
No response	0	153	75.7
		----	-----
	TOTAL	202	100.0

Q9.5 WAS YOUR BELIEF THAT THINGS WILL IMPROVE A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	41	20.3
No	2	10	5.0
No response	0	151	74.8
		----	----
	TOTAL	202	100.0

Q9.6 WAS APATHY A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	1	0.5
No	2	46	22.8
No response	0	155	76.7
		----	----
	TOTAL	202	100.0

Q9.7 WAS LOYALTY TO THE GROUP A FACTOR IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	21	10.4
No	2	31	15.3
No response	0	150	74.3
		----	----
	TOTAL	202	100.0

Q9.8 WERE THERE OTHER REASONS NOT LISTED THAT WERE FACTORS IN YOU NOT RESIGNING FROM THE CHAIN?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	7	3.5
No	2	38	18.8
No response	0	157	77.7
		----	----
	TOTAL	202	100.0

This question was used to try and determine the major reasons why members who had rated their group's performance as either poor or dismal, did not resign.

Some 50 respondents answered this question and 80% of them cited their "belief that things would improve" as a reason for not resigning. 44% of them indicated that their "uncertainty regarding the level of business attributable to the chain" was a factor and 44% indicated that "loyalty to the chain" was a factor. "Fear of the unknown" was regarded as a major factor by 40% of the people who responded to this question. The other factors listed were not regarded as very significant.

Q10 DO YOU BELIEVE THAT THE GROUP TO WHICH YOU ARE AFFILIATED HAS MAJOR PROBLEMS?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
No	1	58	28.7
Yes	2	134	66.3
No response	0	10	5.0
		----	----
	TOTAL	202	100.0

This shows that nearly two thirds of the respondents, 66.3%, believe that their respective chains have major problems.

Q11. IN YOUR OPINION, WHAT ARE THE MAJOR PROBLEMS WITH YOUR MOTEL GROUP?

- 1. _____
- 2. _____
- 3. _____
- 4. _____
- 5. _____

Using the same approach as in Q6, the responses to Q11 were manually sorted into 10 groupings.

The data was then converted into 10 separate "yes/no" questions for analysis on SPSS. The frequency analysis for each of the 10 questions 11.1 to 11.10 is listed below.

Once again it should be noted that a response of "no" signifies that this particular variable was not listed, and not that the respondent said "no" to it being a major problem.

Q11.1 IN YOUR OPINION, IS THE FINANCIAL POSITION OF YOUR CHAIN A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	48	23.8
No	2	82	40.6
No response	0	72	35.6
		----	----
	TOTAL	202	100.0

Q11.2 IN YOUR OPINION, ARE THE MANAGEMENT AND STAFF OF YOUR CHAIN A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	82	40.6
No	2	48	23.8
No response	0	72	35.6
		----	----
	TOTAL	202	100.0

Q11.3 IN YOUR OPINION, IS REDUCED MEMBERSHIP OF YOUR CHAIN A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	9	4.5
No	2	121	59.9
No response	0	72	35.6
		----	----
	TOTAL	202	100.0

Q11.4 IN YOUR OPINION, IS THE LOW LEVEL OF CHAIN MARKETING A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	40	19.8
No	2	90	44.6
No response	0	72	35.6
		----	----
	TOTAL	202	100.0

Q11.5 IN YOUR OPINION, IS THE CHAIN'S COMPUTER A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	20	9.9
No	2	110	54.5
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

Q11.6 IN YOUR OPINION, IS THE CHAIN'S SIZE AND COST TO BELONG A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	51	25.2
No	2	79	39.1
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

Q11.7 IN YOUR OPINION, ARE COMMUNICATIONS WITHIN THE GROUP A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	25	12.4
No	2	105	52.0
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

Q11.8 IN YOUR OPINION, IS THE GROUP'S LOSS OF DIRECTION A MAJOR PROBLEM AREA?

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	25	12.4
No	2	105	52.0
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

**Q11.9 IN YOUR OPINION, IS THE STATE OF THE AUSTRALIAN
ECONOMY A MAJOR PROBLEM AREA FOR YOUR CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	4	2.0
No	2	126	62.4
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

**Q11.10 IN YOUR OPINION, ARE THERE OTHER AREAS NOT LISTED
THAT POSE MAJOR PROBLEMS FOR YOUR CHAIN?**

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Yes	1	61	30.2
No	2	69	34.2
No response	0	72	35.6
		----	-----
	TOTAL	202	100.0

This question attempts to identify the major problems as determined by the members themselves. 130 responded to this question and of them 63% regarded the "management and staffing" of their group as a major problem area. The "other" category in this question was seen as a major problem area by 47% of the respondents to this question. The "other" category included a myriad of reasons, the frequency of each not justifying a separate category.

The "large size and expense" of the chains was seen as a major problem by 39% of the respondents to this question, the "financial position" of the group by 37%, "lack of marketing" by 31%, "loss of direction" by 19% and "communications" was seen as a major problem by 19% of those responding to this question.

Q12 IF YOU WERE TO RESIGN FROM YOUR CURRENT AFFILIATION,
 WOULD YOU:

<u>Value Label</u>	<u>Value</u>	<u>Frequency</u>	<u>Percent</u>
Join another chain	1	82	40.6
Become independent	2	87	43.1
Other	3	14	6.9
No response	0	19	9.4
		----	-----
	TOTAL	202	100.0

This question indicates what respondents intentions would be should they resign from their current affiliation. 43.1% of respondents indicated that they would become independent whilst 40.6% indicated that they would join another chain. Of the 6.9% that responded with "other" to this question most indicated that they would try and form another chain. This suggests a lack of confidence in the existing chains.

9.2 DISCUSSION OF CROSS TABULATIONS

A number of cross tabulations have been calculated to help identify, in particular, whether members criteria for belonging to a chain and their perception that chains' level of success, were related to motel size, location, length in chain or chain brand. These cross tabulations are listed in more detail in Appendix B.

The demographic cross tabulations indicate clearly that the Flag respondents have on average larger properties than respondents from the other chains and that more of the Flag properties are located in the CBD than any of the other chains.

Size of the respondent property seemed to influence the importance placed on the various factors that affected their membership of the chain. The larger properties placed substantially more importance on a central reservations office and an overseas affiliation than did the smaller properties. The smaller properties however, placed far more importance than the larger properties on inter property referrals and comradeship between members. Factors such as group marketing and the chain's logo were regarded as more important by the smaller properties than the larger properties but the margin was not as great as with the earlier factors.

It was interesting to note that the performance of the various chains in offering value for money was rated much higher by the very small and the very large properties. The properties of medium size, which make up 91.5% of the total respondents, rated the performance of the chains at a much lower level. Even though there appeared to be some relationship between the perception of performance and property size, the view of 69.8% of respondents that their chain had major problems did not vary to any significant amount with size of property.

Respondents located in Central Business District (CBD) properties considered a central reservations office and an overseas affiliation as more important factors in belonging to a chain than did respondents from other areas. Respondents from properties in other areas considered inter motel referrals and comradeship between members as more important factors than did respondents from CBD properties. This result is basically the same as was determined between property size and the most important factors. This is as one would expect given that the CBD tends to have larger properties and 40% of respondents from larger properties were located in the CBD.

The performance of the chains in offering value for money was rated as excellent or good by 64% of CBD respondents versus 37% of respondents from other areas.

Similarly, the view that the chains had major problems was held by 57% of respondents from CBD properties and 71% of respondents from other locations. This contrasts with the result obtained with the cross tabulation between size and problems, where there appeared no major relationship between size and the perception of problems in the chain.

Most of the factors listed in Q5 on the questionnaire relating to belonging to a chain were assigned a level of importance that was independent of chain brand. The notables in this category were logo, directory and comradeship between members. Group marketing was fairly close with respondents from the Budget chain giving it slightly less importance than respondents from the other chains. A central reservations office was seen as an essential or important factor by most Flag and Best Western respondents and by only a small percentage of respondents from Budget and Golden Chain. Similarly, an overseas affiliation was seen as essential or important by more Flag and Best Western respondents than by respondents from Budget or Golden Chain.

There was a substantial variance in the perception of the chains performance in offering value for money across the various chain brands. This variance was repeated when considering the answer to whether the chain had major problems over the various chain brands.

The chain was rated as excellent or good in offering value for money by

- 27% of Best Western respondents
- 94% of Budget respondents
- 72% of Flag respondents
- 100% of Golden Chain respondents.

This trend followed when asked whether the chain had major problems which was answered in the affirmative by

- 82% of Best Western respondents
- 11% of Budget respondents
- 41% of Flag respondents
- 0% of Golden Chain respondents.

Best Western respondents regarded the major problems as management and staffing, financial difficulties, and the way the organisation had become too big and costly. Flag respondents adopted similar views but without the financial difficulties.

Cross tabulations run with length of time in the chain did not seem to offer any insights relevant to this study.

9.3 GENERAL COMMENTS MADE BY RESPONDENTS ON THEIR CHAIN MEMBERSHIP.

The final question on the questionnaire sent out to accommodation cooperative members was:

Q13. PLEASE LIST BELOW ANY FURTHER COMMENTS YOU MAY HAVE REGARDING YOUR MEMBERSHIP OF YOUR CURRENT CHAIN AND WHETHER IT MEETS YOUR LEVEL OF EXPECTATIONS.

A listing of the comments made by respondents to the questionnaire is included as Appendix C.

Since it was apparent that most of the comments provided by respondents in this section referred specifically to their particular chain, the listing in Appendix C, as well as the discussion here is listed by chain.

BEST WESTERN

Of the properties belonging to the Best Western chain who responded to the questionnaire, 86 (53%), added comments in the last section.

Perusal of the comments made by Best Western respondents leave one in no doubt that the group has had substantial problems related to the management and financial control of the organisation.

It is also clear that many of the respondents believe that Best Western has overcome, or is in the process of overcoming their problems, as 27% of those having completed this section make specific reference to this point. Some 7% of respondents from Best Western who completed this section also stress that they regard this year as their last with Best Western unless things improve substantially.

21% of properties belonging to Best Western who completed this section state in one form or another that membership fees are too high and that the group does not offer value for money. Two properties that have resigned from Best Western and joined Budget stress that the fee issue was their main reason for doing so.

The comments listed by members in this section also state or imply that Best Western needs to clearly identify where it is heading as the group's direction seems to have been lost. Comments like "get back to basics" and "lost sight of objectives" are not uncommon, suggesting that a number of members believe that the group has strayed. 13% of respondents who answered this section make comments along these lines.

There also seems to be some friction between the various sized properties within the group, with some of the smaller properties indicating a belief that the larger properties receive more favourable treatment.

This is especially apparent in relation to the fee structure. A comment is made along similar lines that CBD properties are advantaged over suburban and country properties.

BUDGET MOTEL CHAIN

Of the respondents to the survey who were members of Budget, 10 (56%) completed this final question. As one can see from the replies listed in Appendix D almost all of the responses were very positive.

Value for money, good communication and expansion of the chain were all emphasised by respondents. The only comments made by respondents that were in any way negative were related to the public perception of the group, possible excessive recruitment of members in some areas and the fact that some properties may be below the groups standards. These were noted as areas of concern by respondents, not as major problems.

It has already been stated in an earlier section that only 2 of the respondents to the questionnaire who belonged to the Budget Chain saw major problems in their group. The major problems that these respondents saw were:

- public perception of the name "Budget"
- attempting an overseas affiliation
- too much control in one man's hands

FLAG INTERNATIONAL

Only 3 (17%) of respondents who were members of Flag completed this section of the questionnaire. The comments made can be seen in Appendix D and since there are so few of them no useful inferences can be drawn.

GOLDEN CHAIN

All 4 of the respondents who were members of Golden Chain completed the final section of the questionnaire. The comments listed were all very positive relating to the friendly nature of the group, the fact that the group had minimised its overheads and that the members maintain control.

This result is as expected given that it was shown earlier that none of the respondents belonging to Golden Chain believed that the group had major problems.

9.4 RESPONSE TO GENERAL COMMENT SECTION.

It was seen in an earlier section that 82% of respondents belonging to Best Western believed that the chain had major problems and some 53% of the Best Western respondents elaborated on these problems in the general comments section. For Budget and Golden Chain the percentage of respondents from these chains that believed their respective group had major problems was very low and yet 56% of Budget respondents and 100% of Golden Chain respondents added comments.

In the case of Flag, 41% of respondents believed that their chain had major problems yet only 17% of Flag respondents were prepared to elaborate on these problems in the general comment section of the questionnaire. This was not consistent with the trends shown by the other chains.

One reason for this difference may have been the fact that the questionnaires sent to the Best Western properties were sent along with the groups' normal fortnightly member mail. Members may therefore have considered that Best Western had something to do with the survey and thus used the opportunity to ensure that Best Western really understood their displeasure.

Flag members, who were sent the questionnaire through the normal postal service, may have been concerned about criticising their group to an outsider.

In order to test this theory, and to further expand upon the views expressed in the questionnaire, an interview was arranged with the promoter of the Image Motel Group which has been mentioned earlier.

10.0 INTERVIEW WITH THE PROMOTER OF THE IMAGE MOTEL GROUP.

The man behind the effort to launch the Image Motel Group is Mr Wayne O'Brien. He has spent much of his time between September 1990 and April 1991 talking to moteliers in the Eastern states of Australia in his efforts to launch the Image Motel Group. On the basis that Mr O'Brien has recently spoken to a large number of moteliers, both chain affiliated and independent, on the topic of joining a motel chain, it was considered appropriate to interview him for this study.

It was hoped that his discussions with a wide cross section of moteliers may reinforce the results obtained via the questionnaire.

Mr O'Brien was interviewed by phone on 3 May 1991 and the questions asked, and resulting discussion, are listed below.

WHY DID YOU ATTEMPT TO LAUNCH THE IMAGE MOTEL GROUP?

Mr O'Brien indicated that he had long held the view that the existing motel chains were doing a less than satisfactory job in the market place. This view was tested in discussions with a wide variety of moteliers and via a consumer survey. In the consumer survey in which over 1000 people were interviewed, very few could actually give the name of a motel chain.

In order of recall, the motel chains listed were:

- Flag
- Homestead
- Best Western.

It should be noted that Homestead changed its name to Best Western over two years ago and is no longer used as a trading name.

On the basis that these motel chains were formed largely as marketing cooperatives, the fact that the public seemed unable to recall them suggested a major problem to Mr O'Brien. Discussions with moteliors from both Best Western and Flag confirmed Mr O'Brien's belief that the major existing chains were not living up to expectations.

Mr O'Brien felt that Budget was the only motel chain with any credibility amongst its members as it seemed to live up to its promises. However, it was pointed out that the Budget group does not promise much.

Since neither Best Western nor Flag appear to have any specific promotion strategies, Mr O'Brien felt that there was an obvious opening in the market.

WHY DO YOU THINK MOTELIERS JOIN A MOTEL CHAIN?

Moteliers perceive benefits in belonging to a motel chain, the major benefits being:

- Advantages of group marketing
- Central reservations office
- Accommodation directory

WHAT WERE YOUR MAJOR OBJECTIVES IN LAUNCHING THE IMAGE GROUP?

Mr O'Brien stated that his intention was to provide a high profile motel group that gave members cost effective marketing along with a state of the art computerised reservation system.

He stated that he saw as essential the need to keep the bureaucracy to a minimum and ensure that the bulk of the membership fee goes into marketing. It was also seen as important that the members have a say as to how the marketing budget be allocated.

HOW MANY MOTELS HAVE YOU SPOKEN TO AND FROM WHICH GROUPS?

Mr O'Brien sent out an information letter with a response card to motels in the Eastern states of Australia on 26 November 1990 and he contacted only those who returned the response card requesting further information.

He indicated that he had been in direct contact with about 150 motels.

Response to the initial letter on Image had been from motels in the following categories, in descending numerical order:

- Flag
- Independents
- Best Western
- Others

WHAT WERE THE MAJOR REASONS GIVEN FOR CONSIDERING THE IMAGE MOTEL GROUP?

Motels recognise the benefits of belonging to a motel chain but expressed dissatisfaction with existing chains.

Best Western

Moteliars spoken to who were in the Best Western group felt that the group was not delivering the services that members were paying for. Best Western members also perceived themselves to be below Flag in status.

Flag

Flag moteliars also indicated that they were not getting value for money. Many expressed concern about the cost of running overseas offices and questioned their effectiveness.

In general, the Flag moteliars were far more critical of their group than were the Best Western moteliars. However, Mr O'Brien considered that this could a result of the fact that the Flag moteliars had been incited by Angus Taylor in his writings in late 1990 and the series of meetings he held in

early 1991.

Many Flag moteliars considered that the group had reached saturation in some areas and that Flag properties had two competitors in these areas: -other motels

-other Flag motels.

Independents

Over 50% of the independent moteliars spoken to by Mr O'Brien had previously been in a motel group, predominantly Flag or Best Western, and bore deep scars from the experience. These operators were very suspicious of motel groups, believing that the existing groups had treated them poorly in the past.

Moteliars who had previously been in Best Western were disgusted with the group's performance whilst those having left Flag were bitter at their treatment by the group. The bitterness appeared to run fairly deep.

General comments

Mr O'Brien considered that Best Western had lost sight of its true mission and even though the group appeared to have reduced its debt burden, it was doing little in the market to improve its poor profile. He also expressed his concern that the continued loss of member properties by Best Western would make it difficult for the group re-establish its credibility.

Management of the Flag group was considered vindictive by Flag members according to Mr O'Brien, and Flag members were therefore reluctant to speak out against the group through fear of reprisals.

Mr O'Brien felt that Mr Angus Taylor had lost much of his support amongst the rank and file members of Flag as a result of his extremely aggressive attitude towards the Flag group in his recent series of meetings with members. This had allowed the existing management of the group to reassert its control. Mr O'Brien observed that Flag was in a much stronger position than Best Western but it would have to control its finances to avoid a major future upset.

In relation to Golden Chain, Mr O'Brien expressed his opinion that they were "so low profile as to be invisible".

Budget was acknowledged by Mr O'Brien as a strong group in terms of number of properties and to have a high credibility with its members. However, he felt that they did little to build their public profile and did not actually offer their members much in the way of tangible benefits.

11.0 INTERVIEWS WITH SOME EXPERIENCED INDIVIDUALS CLOSELY ASSOCIATED WITH THE ACCOMMODATION INDUSTRY.

In order to further supplement the information obtained via the questionnaire, discussions were held with three other parties:

- a group of Best Western moteliers.
- a group of Flag moteliers.
- an experienced motel broker.

These discussions were held on a fairly informal basis and were largely related to the questionnaire, but enabled the various participants to expand on their views. Most of the moteliers who participated in these discussions did so on the basis that they could remain anonymous.

11.1 BEST WESTERN MOTELIERS.

None of the members belonging to Best Western believed that the group had lived up to their expectations. The members interviewed all belonged to the group primarily to increase their business. It was unanimously agreed that members expected an increase in business would be achieved via group marketing, but all felt that group marketing within Best Western had been sadly lacking.

The accommodation directory and the Best Western sign had been useful, but the members interviewed all considered that the actual level of advertising had been almost non existent since the group changed its name from Homestead to Best Western some two years ago. A fundamental lack of leadership and subsequent lack of direction was blamed for the state of the group.

The members interviewed considered that the fee charged for membership of Best Western was not good value for money and that they remained with the group for two main reasons:

- they were unsure of how much business they would lose without the group.

- they all believed that things would improve.

Two members indicated that if their property was more strategically located then they would have resigned from the group last year.

All of the Best Western members interviewed believed that Flag was currently a much stronger group than Best Western but that Flag had some of the same problems. However, because of Flag's larger membership and stronger leadership, they felt that Flag would be better able to cope with these problems.

When asked about Budget and Golden Chain the responses were fairly consistent. Budget was acknowledged as having a large number of properties but was not considered a threat because of the name Budget.

None of the members interviewed seemed to appreciate that Budget was so much larger than Best Western in property numbers.

The perception of Golden Chain was that it was a group with quite good properties but had never been able to gain sufficient members to become a viable option in the accommodation industry.

11.2 FLAG MOTELIERS.

The members of Flag that were interviewed also stated categorically that Flag had not lived up to their expectations. They considered that the membership fees were far too high and that the group had lost touch with the rank and file members. It was considered that the management of Flag was placing far too much importance on the large upmarket properties in capital cities at the expense of the country properties. Insufficient marketing was blamed as a major reason for their dissatisfaction with the group.

(It should be noted that all of the Flag members who were interviewed had properties located in regional centres.)

Concern was also expressed that the group was too heavily involved in the discounting scene and that this was having serious consequences for the profitability of smaller members.

All of the Flag members interviewed saw their group as superior to Best Western, but most considered that Best Western was a major potential threat provided that it overcame its membership problems.

The Flag members believed that Flag would follow Best Western into the "wilderness" if Flag did not get back to basics.

When asked for their perceptions of the Budget and Golden Chain groups the responses were very similar to those listed by Best Western members. The Flag members did not seem to realise that Budget was approaching Flag in size, but nor did it seem to concern them as they considered Budget to be operating in an entirely separate market. Golden Chain was not considered a threat because of their continuing low numbers and many changes of ownership.

11.3 INTERVIEW WITH A MOTEL BROKER.

An interview was conducted with Mr Sandy Bennett, an experienced motel broker with John Delahunty Pty Ltd.

Mr Bennett has been selling motels and advising operators for eight years and was in fact a motelier himself for three years prior to becoming a broker.

Since the early 1980's, motel brokers have used a property's membership of a major chain as a feature in the campaign to sell that property.

This indicates that the motel broking profession believe that membership of an accommodation cooperative was regarded as a desirable element in the purchasing decision of a motel buyer.

Mr Bennett endorsed this view with respect to the 1980's but suggested that it was not as important nowadays. Up until about 2 years ago, any property that was a member of Flag or Best Western (nee Homestead), would have a note prominently displayed in the advertisements for that property: "member of major chain". Membership of these chains added value to the resale of the property as chain membership ensured that the property was of at least a certain standard and it basically guaranteed that the property would have a more substantial business than comparable independent properties. Mr Bennett believes that this has now changed substantially.

Over the past two years, Mr Bennett believes that the chain operators themselves have become disillusioned with their chain affiliation and this has tended to rub off on to prospective purchasers. There does not seem to be the same level of business generated by the chains nowadays and yet the membership fees have continued to climb. Many Best Western members that Mr Bennett has dealt with over recent years stress that the group is far too expensive and that membership is hard to justify. Flag members have similar views but believe that they get more business from their group than their counterparts in Best Western do.

Mr Bennett felt that Flag was considered to be the most prestigious of the chains but that membership was quite expensive. He felt that the prestige associated with membership of Best Western had largely evaporated, especially over the last twelve months when it looked likely to most in the industry that Best Western would go broke.

Mr Bennett stated that the "major chain affiliation" theme plays a much smaller role nowadays in the sale of a property. Chain membership is regarded as an asset by some buyers but this view does not have the uniform acceptance it once had. Many buyers consider the savings that could be made by removing the property from the chain after purchase. Such thoughts were unheard of years ago as chain membership had "value".

Mr Bennett stated that Budget was the one group whose popularity amongst its members was still high. He stated that Budget had only really started to become a force in the industry during the last couple of years and in his view over 90% of the Budget operators that he has spoken to are happy with their affiliation.

On Golden Chain, Mr Bennett stated that the group did not seem to have any strength. It had some excellent properties but too few of them to be considered a real force in the accommodation industry.

12.0 DISCUSSION OF RESULTS

12.1 REASONS FOR BELONGING TO AN ACCOMMODATION COOPERATIVE.

None of the respondents to the questionnaire queried the benefits of an accommodation cooperative per se, but many questioned the performance of their particular chain. The same result was obtained in interviews with a number of members of accommodation cooperatives who all acknowledged that in principle, the chain is stronger than the sum of the individual members. However, many queried the manner in which this had been put into practice.

An accommodation cooperative is the means by which independent operators can derive economies of scale in terms of marketing, and provide a booking network, both of which enable them to compete with the large company owned or franchised chains. Without these accommodation cooperatives it would be very difficult, if not impossible, for the smaller independent properties to reach the bulk of the market.

Mr O'Brien was convinced of the need for accommodation cooperatives and believed that the major groups in Australia were not generally living up to the expectations of their members, and hence his launch of the Image Motel Group.

Mr O'Brien has stated that if either Flag or Best Western were performing as they should then there would be no scope for a new chain. The chance for Image came out of Flag and Best Western's poor performance.

In all the discussions that Mr O'Brien had with moteliers, he found no-one who disputed the benefits of the cooperative concept. However, he spoke to many operators, both independent and currently chain affiliated, who were totally disillusioned with the manner in which accommodation cooperatives had been handled in Australia. Mr O'Brien attributes the failure to successfully launch the Image Motel Group at this time to tough economic conditions and the fact that many operators are very sceptical of new chains because of their bad experiences with chains in the past.

One of the most important features to come out of the questionnaire relating to why properties join accommodation cooperatives, was that some of the key reasons for belonging to the organisation seem to vary with location of the property and to a lesser extent with property size. This factor does not seem to have been to have been recognised by any of the chains at this stage and this oversight has led to some friction within the groups.

The accommodation directory published by each accommodation cooperative twice per year and the cooperative's logo were rated as the most important reasons for belonging to a cooperative by respondents to the questionnaire. Based on the cross tabulations carried out, this result was independent of property location and size. In the case of the other key reasons for belonging to an accommodation cooperative the result did vary with both location and size of the property concerned.

As has already been stated, the properties located in the central business district (CBD) of capital cities tended to regard an "overseas affiliation" and a "central reservations office" as more important factors than did properties located in other areas. These other properties placed more importance on "inter property referrals" and "comradeship between moteliers" than did the CBD properties.

Similar results were obtained when one considered the size of the respective properties. This result is not unexpected given that the CBDs really only have larger properties and on this basis one would expect a correlation.

Basically all properties belong to an accommodation cooperative in order to improve the level of business that they achieve. However, results from the questionnaire suggest that the location and size of the property influence the priority that should be given to some of the features

associated with chain membership. This is therefore likely to pose problems for those chains that have a wide variety of property sizes and locations, as there are likely to be competing interest groups within the chain. Given that Best Western and Flag have a more diverse range of locations and property sizes than Budget or Golden Chain, this problem of conflicting interests within the chain is likely to pose more problems for them.

This concept of interests within the groups that are potentially conflicting, or at least competing, due to large variance in property size and location, raises the issue of whether a single chain is really able to satisfy the objectives of a wide variety of property types. Perhaps some form of segmentation is required when a group has members in a number of distinct markets.

12.2 PERFORMANCE OF THE CURRENT ACCOMMODATION COOPERATIVES.

It was the initial intention in this study to provide an overall assessment as to how the accommodation cooperatives perform in Australia.

For the reasons listed in an earlier section, the basis used to assess performance of these groups was their ability to offer their members value for money as determined by the members themselves.

Using value for money as the determinant of performance, one would have to rate the overall performance of the chains as fairly poor based on the questionnaire results. Only 38.6% of respondents rated their chain's performance in offering value for money as "good or excellent", whilst 35.7% rated it as "poor or dismal". The remainder of the respondents rated value for money as "average". However, considering the overall results alone hides a number of very important underlying trends.

Firstly and most importantly, there was a substantial variance in the performance rating of the various chains. This is indicated by the following list showing the percentage of respondents in each chain who rated their chain's performance in offering value for money as "good or excellent":

Best Western	27%
Budget	94%
Flag	72%
Golden Chain	100%

Best Western's performance in the eyes of its members was substantially below that of the other groups, and because the number of Best Western properties sampled for this study far outweighed the other properties, the overall result was distorted by Best Western's poor performance.

The results achieved by both Budget and Golden Chain were excellent and consistent with the feedback that one gets from discussions with members of the two groups. The result achieved by Flag is quite good but is not consistent with the information one gets from discussions with Flag members.

In discussions with Flag members a common criticism of the group is that "fees have become far too expensive for the business that is generated by the group". Mr Angus Taylor in his articles to Flag members in the second half of 1990 was also very critical of the "massive increase" in the administrative section of the Flag organisation stating that this added substantially to the fees that members were paying without producing any tangible result. According to an informed source within Flag, Mr Taylor received substantial written support for his stand against the current Flag management, and the meetings that he held in Australia in the first quarter of 1991 were well attended by Flag members.

It is therefore surprising that so many of the Flag respondents to the questionnaire stated that the group provides value for money that is "good or excellent". Perhaps the Flag members are particularly loyal and do not wish to criticise their group in any way to an outsider. It has also been suggested earlier that some members of Flag regard the group as vindictive and would be unwilling to speak against it through fear of reprisals.

Either way, the result obtained via the questionnaire as far as Flag is concerned, is far superior to the result indicated in discussions with Flag members.

The performance of Best Western in offering its members value for money based on the results of this study could only be described as abysmal with over 44% of the Best Western respondents rating the group's performance as "poor or dismal". This result is likely to explain the substantial drop in membership that Best Western has suffered in recent years. Unless Best Western is able to improve its performance in offering members value for money in the near future, the group's viability must be in doubt.

In order to provide some sort of comparison of the fees charged by the various groups, the following lists the approximate annual fee that a 30 unit motel would expect to pay based on the membership kits released by each of the groups:

Best Western	\$16550
Budget	\$ 3285
Flag	\$16100
Golden Chain	\$ 7925

NOTES:

Best Western: Member requires an IBM compatible computer.

Fee is all inclusive.

Joining fee is approximately \$750.

Budget: No other costs

Flag: Member requires an IBM compatible computer.
Fee excludes computer communication fee.
Joining fee is \$1000.
Other upfront fees amounting to about \$8000
including the purchase of Flag shares.

Golden Chain: Joining fee is \$750

The previous comparison clearly indicates that Best Western and Flag are substantially more expensive to belong to than either Golden Chain or Budget.

Each accommodation cooperative promises its members a company logo, an accommodation directory and a referral network, and each group seems to have been successful in fulfilling these promises. Neither Budget nor Golden Chain appear to promise many other major benefits associated with membership but since their fee structure is determined accordingly, their members seem happy with the net result.

Best Western and Flag however, promise much more and charge accordingly. Both groups promise a sophisticated computerised reservation system linked in with travel agents, corporate charge card facilities, a corporate sales force, a groups and tours department, a large slice of the inbound tourist market, and an extensive advertising program.

There appears to be some doubt amongst current group members as to how successful each group has been in fulfilling these additional promises.

It would appear that Flag has encountered some financial problems in recent years that prompted the group to sell the freehold of their Melbourne Head Office and introduce a share issue for members.

Mr Taylor suggests in his articles that the group is likely to encounter further major financial problems if it is not able to quickly and substantially reduce its administrative overheads. Flag has only had fairly limited television and radio advertising in recent years but it has maintained a fairly high profile in the travel press due largely to the efforts of its Chief Executive Officer. The literature search earlier in this report indicated clearly that Flag has a much higher profile in the industry than all the other groups put together. According to Mr Taylor, the major drain on the Flag resources in recent years has been their expansion into the overseas market which has involved the group in opening and operating a number of offshore offices.

Best Western has not been able to provide its members with any television or radio advertising since the name change two years ago. The group was forced to levy members with an additional 25% fee in 1989/90 to keep the group afloat and has been totally committed to a major debt reduction and restructuring program since.

Marketing and membership has suffered as a consequence. It has already been indicated that the problems with the group stemmed from poor management decisions particularly in the computerisation program and having an unfunded name change.

As a consequence, members who joined the group to take advantage of group marketing have become disillusioned since the bulk of their membership fees have been diverted into a debt reduction program, whilst marketing seems to have been treated as the balancing item in the budget.

It was also interesting to note from the cross tabulations that the Australian accommodation cooperatives' performance in offering value for money was rated as "excellent" by 64% of CBD respondents but only 37% of respondents from other areas. This view was certainly supported in interviews with Flag members who considered that the group was bowing too much to the large capital city properties at the expense of the traditional country members who make up the bulk of the group.

This view was not so prevalent in Best Western as the group does not have the range of up-market properties that Flag has within its membership.

12.3 REASONS WHY MORE MEMBERS HAD NOT RESIGNED FROM THEIR CHAIN.

There were two major reasons why more members who had rated their chain's performance in offering value for money as "poor or dismal" had not resigned. One was that some 80% of them believed that things were on the improve.

There is no evidence on which to state whether such a belief was well founded or just wishful thinking. The other major reason was uncertainty regarding the level of business generated by the chain which is also related to fear of the unknown.

Best Western, and perhaps Flag to a lesser extent, can thank the current economic recession for not losing more members. A number of Best Western members have indicated that they did not resign from the group only because they could not afford to take the chance during tough economic conditions.

12.4 MAJOR PROBLEMS OF THE ACCOMMODATION COOPERATIVES.

The questionnaire shows that 66.3% of respondents believe that their group has major problems, which is quite an indictment on the groups themselves. Once again however, it is important to analyse the result by chain, as the Best Western result distorts the findings.

Listed below are the percentage of respondents in each of the cooperatives who believe that their group has major problems:

Best Western	82%
Budget	11%
Flag	41%
Golden Chain	0%

Clearly, the performance of Best Western is pulling down the overall result because of the percentage of questionnaire returns that came from Best Western. The Flag result is much better than that of Best Western but once again the Flag result obtained via the questionnaire is not entirely consistent with the result expected based on discussions with Flag members and a study of the "Taylor" documents. The results obtained for Budget and Golden Chain were excellent with few members believing either group to have problems.

The Best Western respondents who felt that their group had problems, considered the major problem areas to be management and staffing, financial, and the way in which the organisation had become too big and costly.

Recent media releases from Best Western acknowledge that problems have existed within the group and support in general the areas that the respondents identified as the major problem areas. In the article contained in the March edition of Australian Business titled "Best Western Back on the Road", Best Western's Acting Chief Executive Officer referred to

"poor management decisions" and having to restructure finances through "debt forgiveness and asset sales" in order to arrive at a debt that the group could live with.

For Flag, the problems identified are quite similar except that there is not the same emphasis on financial difficulties that there was for Best Western.

12.5 OTHER GENERAL PROBLEMS.

BEST WESTERN

Based on the comments made by respondents from Best Western in the final section of the questionnaire and discussions with some members, there is no doubt that there is an enormous level of member dissatisfaction with the group's performance. There was much concern over the erratic management of the group, its handling of computerisation, the name change problems, the mounting debt burden, lack of communication and the total absence of advertising in recent times. These concerns could best be summed up in the statement that the group had lost sight of its key objectives and became too involved in non core activities such as the computerisation program.

The one redeeming feature of the members comments in relation to Best Western was the fact that many believed that the group had overcome its difficulties and was poised to re-establish itself as a major force in the accommodation field.

A cautionary note was also expressed in that many of the members who felt that there were some encouraging signs within the group also stated quite specifically that they would not remain with the group next year unless major improvements were realised.

BUDGET

The general comments made by members of Budget were largely positive, particularly in areas of quality communication within the group and comradeship amongst members. This positive attitude also comes out in discussion with Budget members who are keen to sell the benefits of the Budget group.

Some members expressed concern with the public perception of the name "Budget" and in discussions with the group's members it is clear that this is a delicate point. The members are at pains to prove that budget price does not necessarily mean budget quality.

There was also some concern expressed that there were too many Budget properties in some areas. This is to be expected given that the group is now the second largest accommodation cooperative in Australia in terms of the number of members.

Since the group now seems to be represented in most locations in Australia, further expansion will need to be in areas where there are already one or more Budget properties.

This has the potential to strain relationships within the group if this expansion is not closely monitored. Flag, the largest group in Australia, has been experiencing these problems for some time and a number of Flag members commented that they saw other Flag members within their own town as major competitors.

If Budget does not recognise that it is moving towards saturation and handle further expansion carefully, the group risks destroying the comradeship between members it seems to have successfully cultivated. Given that the group now has a strong membership base, it is well positioned to improve the quality of its members rather than the number of members. Thus, a more upmarket or better located property could be granted membership in a particular town at the expense of an older property.

Perusal of the Budget accommodation directories over the past 10 years seems to indicate that the group's target properties have changed quite substantially. In the early days of the group, members were almost entirely properties rated at 2 and 2.5 diamonds by the Automobile Associations. In the latest Budget directory there are a substantial number of properties in the 3 diamond category and even some rated at 3.5 diamonds. This seems to be quite a major repositioning of the group and perhaps explains why the Budget members are so keen to dispel the "budget quality" theory.

FLAG

Based on comments made by Flag respondents to the questionnaire, one would suggest that there are no major dissatisfactions within Flag. However, based on private discussions with Flag members, an interview with Mr O'Brien, and reading of the documents written by Mr Taylor, it is clear that the response to the questionnaire does not reflect the wider view of Flag members. Perhaps members loyalty to the group prevented them from declaring their true opinions to an outsider in a questionnaire.

This would seem more likely than the suggestion mentioned in an earlier section regarding the vindictive nature of the group's management and members' fear of reprisals.

It appears that members feel that the group has lost sight of its original mission and has become obsessed with upmarket and overseas expansion. There is a major concern expressed that the group has become far too "top heavy" and has lost touch with the needs of the "rank and file" membership.

Mr Angus Taylor identified the problem that the Flag group was marketing itself at a much higher level than are most of the properties.

The members do not wish to deceive and delude themselves by elevating themselves into a higher stratum for they are all honest and hard-working people who do not wish to pretend to be anything other than what they are.
(Taylor, December 1990; p3)

The bulk of the Flag membership are "middle of the road" country properties and yet the whole image that Flag projects is one of 5 star standard. All the literature distributed by the group supports this upmarket image including the most important document, the accommodation directory. The Flag accommodation directory displays only images of international facilities, resorts and upmarket restaurants all of which is at odds with the facilities possessed by the bulk of the group.

Mr Couch has made it clear in media releases referred to earlier that he sees the group in the top tier of the market. This is putting pressure on the bulk of the members who believe that this image puts unrealistic expectations on them as their facilities are not of that calibre.

As previously discussed, analysis of the questionnaire indicated that respondents from properties located in the CBDs rated the performance of chains much higher than did respondents from properties located in other areas. It would therefore appear that Mr Couch has had success in satisfying the objectives of the more upmarket tier of the accommodation sector, perhaps at the expense of Flag's more traditional market.

Similarly there seems to be a concern amongst members that the cost of opening and operating overseas booking offices is a prohibitive expense and the benefits are only realised by the

gateway properties. Again this seems to exacerbate the friction between the rank and file members and the more upmarket CBD properties.

Another concern expressed by members of Flag is the number of Flag properties that are allowed to be members of the group in any particular area. This also has led to friction between Flag members themselves.

Flag became the largest accommodation cooperative in Australia in 1974 when it overtook MFA. When Mr Taylor resigned as President of Flag in 1978 the group had 448 members (including New Zealand) and he has been very critical of the fact that the number of member properties has only increased by some 33 during the following 12 years. This criticism ignores the fact that Flag was probably close to saturation level in Australia in 1978 and that admitting additional members puts great strain on the existing membership. This view seems well supported by members.

Discussions with Flag members have indicated clearly that MFA trading previously as Homestead and now as Best Western, has always been regarded as the major competitor.

However, all members spoken to regard Best Western as having lost substantial market share and not really being a threat to Flag at present. This also poses a problem for members of Flag as it does not really provide them with a viable alternative if they wish to change chains.

It was indicated that a number of properties would leave Flag if there was a viable option.

It was indicated strongly in discussions with Flag members direct and via Mr O'Brien, that there was widespread concern that the level of advertising provided by the group had been insufficient.

The group's performance in having articles published in the travel press was acknowledged but it was felt that much more should have been allocated to both television and radio advertising.

In general, members felt that Flag was the far superior accommodation cooperative and that provided the group "got back to basics" it would have a very healthy future. Some fairly major reforms were expected within the group in the coming months.

GOLDEN CHAIN

The feedback from the few Golden Chain properties who responded to the questionnaire was very positive. All were impressed with the way the group had managed to keep its overheads down and had avoided having to get involved with "expensive computer reservation systems". The group was regarded as friendly and one truly controlled by the members.

13.0 CONCLUSIONS.

Based on the results of the questionnaire, one concludes that the accommodation cooperatives in Australia have not been very successful in meeting the needs of their members. Only 38.6% of respondents to the questionnaire indicated that their group's performance in offering value for money was good or excellent, and some 66.3% of respondents believe that their chain has major problems.

Another important result to come out of the questionnaire was that the factors influencing a property to belong to a chain varied according to the size of the property and whether the property was located in the CBD. This poses problems for the chains that have a wide range of property types and locations as they are forced to try to satisfy the needs of sub-groups with competing interests.

Budget and Golden Chain have more uniform property types within their respective groups than do either of Best Western or Flag, and the performances of Budget and Golden Chain were rated at a much higher level by their members than were either of the other chains. This suggests that it is difficult, if not impossible, for a chain to satisfactorily cater for the interests of a wide variety of sub-groups.

If a chain wishes to cater for the full range of property types and locations, then based on the results of this study, it would need to consider some type of brand segmentation. This comment applies particularly to both Best Western and Flag.

Since the results varied substantially across the different chains, comments here are also presented by chain.

BEST WESTERN

There is a very high level of dissatisfaction with Best Western amongst its members and the group's very existence is being threatened by recent poor performance resulting in a large membership reduction. There is a general feeling amongst the members that there are signs of some improvement and there have been some positive media releases in the past few weeks.

Clearly, the value of membership of the Best Western group has been downgraded in recent years in the eyes of both the group's members and the accommodation industry as a whole. It is also apparent that Best Western is not well regarded for offering its members value for their membership fees.

If the group is to survive it is essential that it offer its members better value for money. This means that either the membership fees will have to be reduced or the business offered for the existing fee be substantially increased.

The group will not survive unless it is able to fairly quickly increase its membership from the low level at which it currently stands. In order to achieve this, Best Western will have to convince both its current and prospective members that its new management team has shed all non-core activities and is concentrating on performing as a marketing organisation. A major advertising campaign would do much to assist in this endeavour as this is the element most missed by current members.

BUDGET

Budget is the only accommodation group in Australia that one could define as truly successful in meeting the needs of its members. The group has shown very healthy growth in membership numbers and has managed to keep its membership fee well down. Budget has a more limited range of property types than do some of the other chains and its performance rating is accordingly higher. Budget in fact states in its promotion literature that it has an average property size of 17.4 units which is quite small.

The group is careful in what it promises its members and makes sure that those promises are kept. The group does not have a high media profile but the members are not expecting this for the fee paid.

It would appear that the group is nearing its optimum in terms of membership numbers, and it will be important that the group is able to manage a consolidation phase as well as it seems to have managed its growth phase.

Maintaining the low membership fee and continuing the standard of communication that exists within the group will be essential to ensure continued membership support. If the group is deliberately repositioning itself further upmarket, it will need to do this in consultation with the existing members, in order to avoid some of the frictions that have occurred within Flag for the same reason. The name Budget may pose some problems in a continued push upmarket.

Budget's success in keeping its members happy has been due almost entirely to its ability to keep the membership fee at a very low level. In order to maintain this success it must resist the temptation to increase its overheads as the other chains have in areas such as more staff, computerisation and higher quality accommodation directory.

It would however, help the image of the group if it were able to gain more exposure in some of the more widely circulated journals and newspapers.

FLAG

Flag as a group has been successful in that it became the largest accommodation cooperative in the Australian accommodation industry in 1974, just 13 years after its formation, and has held that position ever since. However, there appear to be a number of tensions within the group at the present time and these have the potential to cause the group some considerable damage. Fortunately for Flag, its members do not see themselves as having any viable alternative and therefore feel locked into Flag.

In terms of the questionnaire, Flag members seemed unwilling to criticise the group to an outsider which says much for the loyalty within the group. However, other discussions have clearly indicated that senior management and some of the board have lost the confidence of the members at large. There is likely to be mounting pressure on management of the group to contain costs and get back to basics.

Flag seems to have reached saturation in the Australian market, leaving offshore as the only avenue for expansion. Further expansion in the domestic market will only antagonise existing members who already feel that there are too many Flag properties in some areas.

The apparent rift between the traditional country properties in the group and the upmarket CBD properties also needs attention.

Segmentation of the group into two distinct categories may be a means of overcoming these problems.

Flag cannot afford to ignore the concerns of its "rank and file" membership, as it could pose substantial problems for the group in years to come when the group again has a major viable competitor. History has shown that the same thing happened to MFA.

GOLDEN CHAIN

Golden Chain has proved to be an enigma. Members of the group who responded to the questionnaire praised the group on its performance and yet the group does not seem to have been able to increase its membership to a truly viable level.

On the basis that there has been a high level of member dissatisfaction with Best Western and some problems in Flag, the membership of Golden Chain should have increased substantially.

The group has suffered from a number of changes in its ownership and has not been able to raise its market profile. Its fee is more than double that of Budget and yet it does not really seem to offer its members much more than Budget, other than a higher quality accommodation directory.

It is hard to see Golden Chain expanding to any great degree, as the perception of members of other chains is that the group does not really offer anything concrete. This is despite the confidence shown in the group by the existing Golden Chain members.

GENERAL

Responses to the questionnaires coupled with discussions with members of chains indicate clearly that there is a major role for accommodation cooperatives in Australia. However, it is also clear that other than Budget, the major chains are not living up to the expectations of members and this is likely to encourage a number of new cooperatives to enter the market.

The Australian market is probably only big enough for two or three major groups, and so if a number of new groups form, the industry will become highly fragmented and unprofitable for members. Any new group formed is likely to come from disillusioned members of existing chains.

In late 1990, the founder of Flag was approached by a group of members:

Some members are attempting to encourage me to repeat my performance of the 1960s and originate and start a NEW GROUP. Their argument is that progressive and enterprising Flag owners believe the time is ripe for such another adventurous and much needed undertaking. Currently inn operators have no alternative. It is either Flag International or Best Western and both are not living up to expectations. Membership costs now are outweighing advantages gained. (Taylor, December 1990; p23)

If the major chains do not improve their performance over the next 12 months in the view of the members, then it is highly likely that a new group will form based on a core of disenchanted members from both Best Western and Flag.

At the present time it would appear from the questionnaire responses and discussions with informed operators that the lower end of the accommodation market, below 3 diamond rating, is being very well serviced by the Budget Motel Chain. Similarly, the more upmarket segment above 4 diamond is being quite well serviced by Flag International.

However, the large mid-market segment of 3 and 3.5 diamond properties seem to be the "disenchanted majority".

The Flag properties within this category are concerned that their group is more interested in the upmarket properties and international expansion than in their requirements. They stay with Flag because they have no other viable option. Almost all of Best Western's current membership falls into this 3 and 3.5 diamond category, and the questionnaire clearly indicated that there was a very high level of member dissatisfaction with the group, and many members indicated that this was the last chance for Best Western.

It will be the performance of Best Western over the next 9 months that largely determines if and when a new group will

form. Nine months is chosen as this is the period left before the next resignation date for Best Western members. If Best Western is successful in its quest for new members it will be because it has proved to the industry that the group has focussed on its marketing role.

Success for Best Western here will provide the disenchanted Flag properties with an option for change which will in turn put pressure on Flag to raise its performance for the 3 and 3.5 diamond properties.

If Best Western is not able to prove to its members that the group has a viable future, the Best Western members will be forced to seek an alternative option. Since Flag would not be able to absorb them, they will be forced to consider forming another chain. Provided that the new chain focussed on marketing objectives and instigated steps to control overheads, then it is highly likely that a number of disenchanted Flag members would be interested in participating in the formation of the new group.

Dear Motelier,

The purpose of this short questionnaire is to attempt to assess the performance of motel chains in meeting the objectives of their members. I am conducting this study as part of a Masters Thesis within the Department of Hospitality and Tourism Management at Victoria University of Technology.

I realise that your time is precious and therefore very much appreciate the few minutes it will take to complete this questionnaire. Without answers from experienced operators such as yourself, it is impossible for any real assessment of the usefulness of motel chains to be made.

The completed questionnaire should be returned to me in the enclosed "free post" envelope by 4 March 1991. Your assistance in meeting this deadline is appreciated.

It should be pointed out that all individual responses will be kept strictly confidential and only aggregate responses will be reported.

Should you have any queries regarding this survey, please phone me at the university on 688-4339.

Yours faithfully,

Leo K Jago
Leo K Jago.

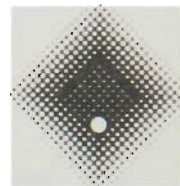
Please read all instructions and answer each question by circling the number corresponding to the answer most appropriate for you.

1. How many units in your property?

0 to 10	-----	(1)
11 to 15	-----	(2)
16 to 20	-----	(3)
21 to 30	-----	(4)
31 to 50	-----	(5)
51 to 100	-----	(6)
Above 100	-----	(7)
2. Which location best describes your property?

Capital city central business--	(1)
Capital city suburban -----	(2)
Provincial city with population	
above 20,000 people -----	(3)
Other -----	(4)

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3. On 1 January 1991, to which motel chain did your property belong?

Best Western ----- (1)
 Budget ----- (2)
 Flag ----- (3)
 Golden Chain ----- (4)
 Independent ----- (5)
 Other ----- (6)
 Specify-----

If you circled (5) in Question 3 corresponding to being an "independent" property, please go no further.

4. How long has your property been a member of this chain?

12 months or less ----- (1)
 13 to 24 months ----- (2)
 25 to 60 months ----- (3)
 More than 60 months ----- (4)

5. Please assess how important each of the following factors were in your decision to belong to the chain.

Use the code: Essential (1), Important (2), Helpful (3), Unimportant (4), Irrelevant (5).

Central Reservations Office	(1)	(2)	(3)	(4)	(5)
Group marketing program	(1)	(2)	(3)	(4)	(5)
Inter property referrals	(1)	(2)	(3)	(4)	(5)
Recognised Logo	(1)	(2)	(3)	(4)	(5)
Overseas affiliations	(1)	(2)	(3)	(4)	(5)
Comradeship between members	(1)	(2)	(3)	(4)	(5)
Able to charge higher tariffs	(1)	(2)	(3)	(4)	(5)
Higher business resale value	(1)	(2)	(3)	(4)	(5)
Accommodation directory	(1)	(2)	(3)	(4)	(5)
Group purchasing	(1)	(2)	(3)	(4)	(5)

6. Please list what you believe to be the two most important reasons for belonging to a motel chain.

1. _____

 2. _____

7. How would you rate your chain's performance in offering value for money?

Excellent ----- (1)
 Good ----- (2)
 Average ----- (3)
 Poor ----- (4)
 Dismal ----- (5)

If you answered Question 7 with "excellent", "good" or "average", please go to Question 10.

8. Have you resigned, or are you about to resign from the group to which you belonged on 1 January 1991?

No ----- (1)

Yes ----- (2)

If you answered Yes to Question 8, please go to Question 10.

9. Given that you have rated your group's performance in offering value for money as "poor" or "dismal", which of the following reasons are factors in you not resigning from your current affiliation?

	Yes	No
Uncertain of business through chain	(1)	(2)
Unable to join another chain	(1)	(2)
Resignation not permitted in lease	(1)	(2)
Fear of the unknown	(1)	(2)
You believe things will improve	(1)	(2)
Apathy	(1)	(2)
Loyalty to the group	(1)	(2)
Other (specify _____)	(1)	(2)

10. Do you believe that the group to which you are affiliated has major problems?

No ----- (1) --Go to question 12.

Yes ----- (2) --Go to question 11.

11. In your opinion, what are the major problems with your motel group?

1. _____
 2. _____
 3. _____
 4. _____
 5. _____

12. If you were to resign from your current affiliation, would you:

Join another chain -----(1)

Become independent -----(2)

Other (specify _____) --(3)

13. Please list below any further comments you may have regarding your membership of your current chain and whether it meets your level of expectations.

Once again, may I thank you for taking the time to complete this questionnaire and may I request that you return it immediately in the free post envelope that is enclosed.

APPENDIX B

CROSS TABULATIONS

Q1 BY Q3

HOW MANY UNITS IN YOUR PROPERTY?

ON 1 JANUARY 1991, TO WHICH CHAIN DID YOUR PROPERTY BELONG?

72% of responses from Flag properties were above 30 units whilst 38% of responses from Best Western properties were in this category. 11% of responses from Budget properties were above 30 units whilst no response was received from a Golden Chain property in excess of 30 units.

Q1 BY Q5.1

HOW MANY UNITS IN YOUR PROPERTY?

HOW IMPORTANT IS A CENTRAL RESERVATIONS OFFICE (CRO) IN YOUR DECISION TO BELONG TO THE CHAIN?

41% of properties less than 16 units saw CRO as essential or important whereas 72% of properties above 50 units saw CRO as essential or important. 38% of properties less than 16 units considered CRO to be unimportant or irrelevant whereas only 3% of properties with more than 50 units responded in the same manner.

Q1 BY Q5.2**HOW MANY UNITS IN YOUR PROPERTY?****HOW IMPORTANT WAS GROUP MARKETING IN YOUR DECISION TO BELONG TO THE CHAIN?**

Group marketing was seen as essential or important by 75.5% of respondents. 80% of respondents with properties up to 20 units saw it as essential or important whereas the figure was 74% for properties in excess of 20 units.

Q1 BY Q5.3**HOW MANY UNITS IN YOUR PROPERTY?****HOW IMPORTANT WAS INTER PROPERTY REFERRALS IN YOUR DECISION TO BELONG TO THE CHAIN?**

81% of respondents with properties up to 20 units saw referrals as essential or important whereas only 67% of respondents with properties above 20 units had the same view. For properties above 100 units the level dropped to only 50% regarding them as essential or important.

Q1 BY Q5.4**HOW MANY UNITS IN YOUR PROPERTY?****HOW IMPORTANT WAS A RECOGNISED LOGO IN YOUR DECISION TO BELONG TO THE CHAIN?**

90% of properties up to 50 units saw a recognised logo as essential or important whereas 81% of properties above 50 units had the same view.

Q1 BY Q5.5**HOW MANY UNITS IN YOUR PROPERTY?****HOW IMPORTANT WAS AN OVERSEAS AFFILIATION IN YOUR DECISION TO BELONG TO THE CHAIN?**

22% of properties up to 20 units saw an overseas affiliation as essential or important whereas 58% of those properties above 50 units and 90% of those above 100 units deemed an overseas affiliation as essential or important.

Q1 BY Q5.6**HOW MANY UNITS IN YOUR PROPERTY?****HOW IMPORTANT WAS COMRADESHIP BETWEEN MEMBERS IN YOUR DECISION TO BELONG TO THE CHAIN?**

65% of properties up to 30 who responded considered the comradeship as essential or important whilst 47% of the respondents with more than 30 units held the same view. The figure dropped to 10% for properties that exceeded 100 units.

Q1 BY Q7**HOW MANY UNITS IN YOUR PROPERTY?****HOW WOULD YOU RATE YOUR CHAIN'S PERFORMANCE IN OFFERING VALUE FOR MONEY?**

38.8% of all respondents rated the performance of their chain as excellent or good but there was some variance with size. There seemed to be higher approval from respondents with either very small or very large properties with ratings of 86% for properties up to 10 units and 60% for properties in excess of 100 units. Only 30% of respondents with properties that fell into the intermediate categories rated their chain's performance as excellent or good.

Q1 BY Q10

HOW MANY UNITS IN YOUR PROPERTY?

DO YOU BELIEVE THAT THE GROUP TO WHICH YOU ARE AFFILIATED HAS MAJOR PROBLEMS?

69.8% of all respondents felt that their chain had major problems and this appeared relatively independent of motel size.

Q2 BY Q5.1

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

HOW IMPORTANT WAS A CENTRAL RESERVATIONS OFFICE IN YOUR DECISION TO BELONG TO THE CHAIN?

65% of CBD, suburban and provincial city responses considered CRO as essential or important and 53% of other country areas held the same view.

Q2 BY Q5.3

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

HOW IMPORTANT WERE INTER MOTEL REFERRALS IN YOUR DECISION TO BELONG TO THE CHAIN?

57% of CBD properties consider inter motel referrals to be essential or important whereas some 73% of properties that responded from other locations held the same view.

Q2 BY Q5.5

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

HOW IMPORTANT WAS AN OVERSEAS AFFILIATION IN YOUR DECISION TO BELONG TO THE CHAIN?

57% of CBD respondents considered that an overseas affiliation was essential or important but only 31% of respondents from other locations held the same view.

Q2 BY Q5.6

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

HOW IMPORTANT WAS COMRADESHIP BETWEEN MEMBERS IN YOUR DECISION TO BELONG TO THE CHAIN?

43% of CBD respondents felt that comradeship between members was essential or important whereas 59% of respondents from other locations held the same view.

Q2 BY Q7

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

HOW WOULD YOU RATE YOUR GROUP'S PERFORMANCE IN OFFERING VALUE FOR MONEY?

64% of CBD respondents rated their group's performance as excellent or good whereas only 37% of respondents from other locations provided a similar rating.

Q2 BY Q10

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

DO YOU BELIEVE THAT THE GROUP TO WHICH YOU ARE AFFILIATED HAS MAJOR PROBLEMS?

57% of respondents from CBD properties felt that their group did have major problems and 71% of properties located in other areas considered their group to have major problems.

Q2 BY Q3

WHICH LOCATION BEST DESCRIBES YOUR PROPERTY?

ON 1 JANUARY 1991, TO WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

28% of Flag respondents had properties in CBD whereas only 6% of Best Western respondents were in the same position. None of the respondents from either Budget or Golden Chain had properties in CBD.

Q3 BY Q5.1

ON 1 JANUARY 1991, TO WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

HOW IMPORTANT WAS A CENTRAL RESERVATIONS OFFICE IN YOUR DECISION TO BELONG TO THE CHAIN?

A Central Reservations Office is seen as essential or important by 63% of Best Western respondents, 7% from Budget, 78% from Flag and 25% from Golden Chain.

Q3 BY Q5.2

ON 1 JANUARY 1991, WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

HOW IMPORTANT WAS GROUP MARKETING IN YOUR DECISION TO BELONG TO THE CHAIN?

Overall 75.5% of respondents saw group marketing as essential or important although Budget was slightly lower at 67%.

Q3 BY Q7

ON 1 JANUARY 1991, TO WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

HOW WOULD YOU RATE YOUR CHAIN'S PERFORMANCE IN OFFERING VALUE FOR MONEY?

The chain was rated as excellent or good in offering value for money by 27% of Best Western respondents, 94% of Budget respondents, 72% of Flag respondents and 100% of Golden Chain respondents.

Q3 BY Q10

ON 1 JANUARY 1991, TO WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

DO YOU BELIEVE THAT THE GROUP TO WHICH YOU ARE AFFILIATED HAS MAJOR PROBLEMS?

The chain was considered to have major problems by 82% of Best Western respondents, 11% of Budget respondents, 41% of Flag respondents and 0% of Golden Chain respondents.

Q3 BY Q11.1 TO Q11.10

ON 1 JANUARY 1991, TO WHICH MOTEL CHAIN DID YOUR PROPERTY BELONG?

IN YOUR OPINION, WHAT ARE THE MAJOR PROBLEMS WITH YOUR MOTEL GROUP?

The major problem area for Best Western was seen as management and staffing according to 64% of Best Western respondents as it was for Flag according to 50% of their respondents.

39% of Best Western respondents regarded financial problems as a major problem within the group as was also the case for the organisation becoming too big and costly. 50% of Flag respondents regarded size and cost of the organisation as a major problem. Low marketing exposure and a loss of direction of the group in Best Western both accounted for 20% of Best Western respondents.

APPENDIX C

Q13. PLEASE LIST BELOW ANY FURTHER COMMENTS YOU MAY HAVE REGARDING YOUR MEMBERSHIP OF YOUR CURRENT CHAIN AND WHETHER IT MEETS YOUR LEVEL OF EXPECTATIONS.

The responses described below are essentially as listed on the returned questionnaires. The wording has been changed in some cases to create sentences rather than just points. Some extraneous information has been removed but the intended meaning has not been altered.

RESPONSES FROM BEST WESTERN PROPERTIES

There have been major management problems in the past. These have now been overcome.

The group has had major financial problems. The group is now rebuilding.

Big changes have been made and we are expecting things to improve. This is the groups last chance.

This is the groups last chance to perform.

We believe that the corner has been turned.

Performance is well below expectations.

We are going to Budget and our annual fee will drop from \$22K to \$2K.

The group has had its ups and downs.

No chain is performing well at the present time.

Best Western has turned the corner.

Best Western does not offer value for money.

Costs are too high and performance is too low. This is the last chance for the group.

Resort conditions are being enforced on motels making them too dear. Fees are far too dear. Group is picking up though.

Referrals are too low.

Not enough business comes through the central booking office.

The larger properties get all the benefits from the group. The Australian economy is a major problem.

Communication has been poor within the group and the computerisation program has been shocking. Some improvement has been seen recently.

Performance is OK but management needs to improve.

Fees are too high relative to the level of business generated.

Chain has solved its problems and we look forward to better times.

Membership fees are too high.

We need a group and have no alternative. The directory is the main reason for staying.

Best Western is not performing and we are resigning.

Best Western is well known which helps us despite a very poor economy.

Fees are too high.

Group should do more for suburban and country properties which form the bulk of the group.

Name change should never have occurred.

We would leave now but we have no option. It is pleasing to note that management has shown signs of improving.

There are major communication problems.

The problems seem to have been largely resolved.

No advertising has been done for years and no attention has been given to the corporate market.

There have been too many deals done on fees in recent years despite guarantees to the contrary. For this reason we are resigning.

Group needs to focus on selling rooms.

Chain performs better than many believe. You must consider business generated by the group but not booked by the group in evaluating the groups' performance.

Fees are too high. Any further increase and we leave.

Fees are way too high. This is the groups last chance.

All problems are being solved.

Costs are high but there are hidden benefits.

The performance of directors has been poor.

There has been a poor response to members questions. Business is OK.

We have joined Budget and have saved substantially on our membership fees. The net price we charge is not much less with Budget since there are no discount cards.

Management of the group and value for money is below par.

We are staying in the group purely because of the overseas affiliation. No other chain has this affiliation.

We need much more advertising.

Direct business through the group is not high but we get much walk-in business because of the directory. This is important.

Best Western must develop the sales representative trade.

Group is too expensive.

Chains are not so important now. People are looking for a motel offering value for money.

Major problems in the group seem to be on the improve. Many people use the directory.

The group has turned the corner.

We are hoping that the new board is fixing things.

Our problems stem from poor management and uncommitted members.

Must get back to basics.

The organisation must be run as a business and not a club.

Central reservations must run 24 hours per day every day.
Flag appears more professional.

Best Western is well recognised.

Best Western is the "Faulty Towers" of the accommodation industry. You couldn't plan to make worse decisions.

The public has not been aware of Best Western's past financial position and this should continue.

The group must look after smaller motels and stop causing so many problems.

The fees are geared against the smaller property.

The group needs to listen more to members and then problems like the name change and computerisation won't be repeated. Some improvement has been made.

The chain adds prestige.

The fees are too high but the chain has a good reputation basically.

There is no value for money and we are not getting any advertising.

Referrals are well down.

Improvements can be seen. International business is too costly to obtain and should be made as an optional fee for members.

Previous CEO's have run amuck and have had no board control.

The economy is the main problem.

The problems are being overcome.

There should be more property inspections and we need more CBO business.

The group must get back to basics. We should get rid of the computer.

The group has lost sight of its objectives. We will resign once the economy picks up.

Having been a member of Flag and Best Western, I believe Best Western is worse off but that things are changing.

Best Western has had major problems in the past but these are being rectified.

The groups problems are being resolved.

The board must listen to members to avoid problems of the past. Things are looking up.

Best Western is trying to copy Flag. They are not satisfying members located in tourist areas with their chase for corporate business.

Fees are too high. The new referral system is wrong.

There are major problems but it appears we have turned the corner.

We have joined Flag so that our fees go towards marketing and not just debt reduction.

The problem at present is that there are too many motels in most places not so much problems with the chain.

The operating performance of the chain needs to be communicated to members.

Must get back to basics. Management must become more cost effective.

Fees are too high and business too low. Things seem to be on the improve but this is the last chance.

The group must chase corporate business.

RESPONSES FROM GOLDEN CHAIN PROPERTIES

Group is a true cooperative with very low overheads.

There are no expensive overheads or computer problems within the group. Fees are therefore that much lower.

Golden Chain is a friendly group with low overheads and a core of competent staff.

It is a cooperative and members have complete control unlike the other chains.

RESPONSES FROM FLAG PROPERTIES

Group needs more advertising.

Large motels take too much control of the group. This results in costs being too high for country motels.

Group needs more teamwork.

RESPONSES FROM BUDGET PROPERTIES

We are very happy with the group.

Group offers value for money. It does not cost us much to belong and we therefore don't need much back.

There is good comradeship and support for members and a sensible expansion program.

It is a growing chain that will become a trend setter.

We have a great Managing Director who is ambitious for the group but aware of why the group was set up.

Some motels are below standard.

The monthly newsletter provides excellent communication to members. The group offers the public reasonable standards and value for the motelier. It is run by moteliers for moteliers.

Budget needs to improve the public perception of the group.

There are too many Budget motels in some towns.

The group is fast growing. The regular newsletter keeps members well informed.

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