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Guest Name and Title: Chip Conley

Guest Company: Joie de Vivre Hospitality

**Ethan Whitehill:** Welcome to the Brand Show. I'm Ethan Whitehill.

IV Whitman: I'm IV Whitman. In this episode, we talk to Chip Conley, Founder and Chairman of the Joie de Vivre Hospitality and author of the book, Peak: How Great Companies Get Their Mojo From Maslow.

**Ethan Whitehill:** Chip shares how brands can reach their peak by focusing on the higher order needs of their customers, employees, and investors. Chip, welcome to the show.

**Chip Conley: Great to be with you.**

**Ethan Whitehill:** Chip, Joie de Vivre Hospitality has earned the claim for Distinctive Hotels, Bars, Spas and has enjoyed business success as a result. You've done this through – as I understand – a rather unique and almost anarchistic way of creating and branding your properties. Could you talk to us about that process?

**Chip Conley: I love the idea of it being "anarchistic". It's such a word I can't sneak into the business lexicon very often. Well, when I started, I was somewhat an anarchist. I was 25, 26 years old when I started the company and I bought a motel that was sort of a pay-by-the-hour motel. We call it a Notel Motel. You go there on your lunch hour. That first motel needed to grow into being a rock-and-roll hotel and in the process of concepting it, there was a shortcut way that we were able to start getting everybody on the same page because every night I have a vision of what we're going to create. When I say "everybody", I mean the contractor, the architect, the designer, the general manager, the investors. So we said, "What if we were to create a hotel based upon a certain magazine?" because magazine publishing and boutique hotels have something in common. They're both niche-oriented and they're lifestyle-oriented. We came up with Rolling Stone magazine and we all agreed that Rolling Stone was a really good touchstone for creating that first hotel. We came up with five adjectives that define Rolling Stone, which were funky,**

irreverent, young at heart, adventurous, and cool – not anarchistic [laughter] although that could've been one of them. In creating that hotel, everything we had to do from the art we chose to the staff we chose came back to those five adjectives, almost like a checklist. Ultimately, it became a really great tool for creating a really unique and holistic concept that felt like [it had the soul for it]. It didn't feel like it was just from a surface concept because it had a deep personality. What was most stunning about it was that we started to notice the people who actually fell in love with the hotel didn't necessarily fit a demographic. They were broad collection of people, but they're sort of psychographic, and the psychographic actually fit the five adjectives we came up with the hotel. The hotel became a bit of a mirror for the aspirations of the customer, and that's why we called this process each time we create a hotel based on a magazine to be our process of creating an identity refreshment for our hotel guests, such that by staying in a hotel, they have their ideal identity refreshed and it's sort of an aspirational experience. We've done this over 50 times. We've had created over 50 hotels, more unique boutique hotels than any other company in the world. Every time it's based upon this magazine approach and we get our employees quite involved. The reason it's sort of anarchistic is because it's very democratic. It's not just three [unintelligible] [you put] people in the senior level of the company making it all up. It's a very democratic process.

**Ethan Whitehill:** You used the words "ideal identity" and "aspirational". I have to think that those are a nod to Maslow's Theory of Hierarchy of Needs, and I know that has had an impact on the design of your properties and how you think about things. Can you tell us a little bit about that, too?

**Chip Conley:** Well, I think it doesn't just have a – it certainly has a nod to Maslow's Hierarchy of Needs and that was really how we got through the dotcom bust, but I would say it actually has a bigger nod to the name of our company, Joie de Vivre. Joie de Vivre is a very impractical name for a company. It's hard to pronounce, hard to spell. Many people in the United States don't know what it means; it means "joy of life". We're one of those few companies out there whose mission statement as a company is also the name of the company. We're in the business of creating joy of life for our employees and our customers. Yes, we are somewhat of an aspirational

company as a result of that but at the worst of times about ten years ago - when the dotcom bust and the 9/11 and then a bunch of other things came along - it was very clear to me that we were far from Joie de Vivre. We were feeling not a whole lot of Joie de Vivre at that time because we were the largest hotel here in the Bay Area at that point, but all of our hotels were in the Bay Area. We had no hotels elsewhere, and that was the worst hotel market in the country. I ended up in a local bookstore and reacquainted myself, but not on purpose. I went to the bookstore looking for a business book and I ended up in the self-help section. That's where I reacquainted myself with Maslow's Hierarchy of Needs and his book, *Toward a Psychology of Being*. I started. I just sat on the floor of the bookstore for four hours, reading his book. Then I finally bought the book and then bought a couple more of his books. Then six months later, his family gave me his journals for the last ten years of his life and I just became a Maslow nut. I looked at how we could apply this iconic theory of motivation, Maslow's Hierarchy of Needs, to the business world and specifically to our business model. If you remember Maslow's Hierarchy of Needs, there are five levels - physiological needs at the base and goes all the way up to the fifth level of self-actualization. So I said what can we do to be all we can be in terms of as employees or how could we create products or hotels, restaurants, and spas to help our customers feel like they're being all they can be? So we remade Maslow's Hierarchy of Needs and turned it into a business model. It was miraculous how it helped us focus on the higher needs of our key stakeholders, especially our employees and our customers, and really helped to differentiate the company and create a whole new fuel, the fuel for employees that gave them a sense of meaning and a calling in what they're doing and the fuel for our guests such that the identity refreshment that we've always had for the 25 years we've been in business, that's what we've been doing. Now, we had a more - I don't know - a scientific approach to how we could really adjust these psychological needs of our guests in a way that was very resonant with them.

**Ethan Whitehill:** Yes.

IV Whitman: One of the things that I'm really interested in came up when you were giving your keynote was this. You said when you say when a company or a brand - let me start over

and ask that again. When you spoke at IRDC, we heard you say that people have jobs, careers, or callings, and I thought it was a profound statement to make. I'm wondering if the same can be said about brands and if so, how can brands get to that higher level?

**Chip Conley: Yes, and that's a great question. First of all, two-thirds of the world's GDP – two-thirds of the world's finances are in industries that are service industries. The idea that creating an environment where employees were providing service of some kind to a customer, creating a culture that gives them fuel such that they think of their work as more than a job and in fact maybe more like a career or ideally a calling, there's a lot of logic in that because when someone's living their calling in their work, you as a customer, you notice it. I think of the flight attendants on Southwest Airlines [laughter] who generally have a sense of humor and have a good time. Not always, but most of the time, as opposed to some other airlines we're aware of where things like the flight attendants have been beaten down. If you are using a product or getting a service from a company where the employees are just beaten up and not enjoying themselves, I promise you, you as a customer have a harder time enjoying the product or service. It comes back to Maslow's Hierarchy of Needs in the context of the Peak model that I wrote about in my book, *Peak: How Great Companies Get Their Mojo From Maslow*, suggests that there are three real – the paradigm [unintelligible] is there are three levels in life. There are three themes in life. There's survival, which is Maslow's two lowest levels of the pyramid – physiological and safety needs. There's success, which is Maslow's third and fourth levels, which are your desire for social and belonging needs; and the fourth level is your desire for esteem needs. Then at the top of the pyramid, self-actualization is like transformation. So think of a pyramid and think of three levels – survival, succeed, and transform. Applying that to brands, the best brands in the world are those that get the base of the pyramid right. They create products or services or a brand identity that addresses some of the basic needs of what somebody wants, but they actually move further up the pyramid because if you just stay at the bottom of the pyramid and meet the survival needs of your customers, you're basically just providing satisfaction to the customer but you're not providing anything more than a commodity. If you're just a commodity brand, you're not a very powerful brand. You're not**

a very – you’re not a brand that can actually have some price control or stability to charge a premium for what you offer. As you move up the pyramid from survival to succeed, the survival experience for our customer would be having their expectations met. The succeed experience for a customer would be having their desires met, and the transformational experience for our customer would be having their unrecognized needs met. That sounds rather abstract and it is true that what’s at the base of the pyramid, including Maslow’s pyramid – the physiological needs – are very tangible. Self-actualization is very intangible, which is fine. That’s why most companies don’t get the top of the pyramid right because they get so wrapped up focusing on what’s tangible and they manage what they can measure. What they can measure is usually the easy stuff, the thing that’s most tangible. What’s most valuable in life and what’s the most valuable for customers and what’s most valuable for a brand is addressing those higher needs. The companies – whether it’s Apple or Southwest Airlines or Whole Foods Markets or whomever – the ones that do it well usually have tapped into an unrecognized need of the customer that they have uncovered and addressed exceptionally well. That gives them a competitive edge and gives their brand somewhat of an emotional loyalty from the customer.

**Ethan Whitehill:** When you’re marketing to the top of the pyramid, you’re really not marketing in a traditional sense, and I know for Joie de Vivre, you don’t do a lot of traditional marketing. I’m wondering; what does that look like? What do you do?

**Chip Conley:** Well, I’m sort of like Tony Hsieh.

**Ethan Whitehill:** [Laughter] Happiness.

**Chip Conley:** Tony and I had lunch yesterday. Yes. Well, Tony and I had lunch yesterday here in San Francisco. What I’m a believer in is that as Tony says, “Your culture is your brand,” and I think your culture is your brand and your brand is based upon your product. To market your brand, why not put more and more time and attention into product because you can spend it on advertising. You can spend it on digital campaigns. You can spend on all kinds of things. I’m not saying we don’t spend money on that, but I remember five or ten years ago when the digital market for advertising was much, much

smaller so this is even a more interesting statistic. Five or ten years ago when we had over 30 hotels – we have more than that now – we did a little exercise that see how much we spend a year on advertising. We spent – with over 30 hotels – a total of \$50,000.00 a year on advertising company-wide. That’s for everything. That’s not for hotels. That’s \$50,000.00 total. Now, today we spend a little bit more because we spend a lot of money on digital campaigns which we think are more effective use of money. Generally speaking, relative to other hotels, we spend about half as much money on marketing because what we do is we spend more of it on the service expense and the product, particular service experience. On the product side, I think that we spend just as much money as anybody else on the physical product, the design, the look. We spend a good bit more money on how we treat our employees, how we do our training. We do a lot more training. We do a lot more opportunities for our employees to create a sense of calling in the workplace so that they feel a lot more engaged. By doing that, what we found, especially in the social media world, is that word of mouse – not the word of mouth – but the word of mouse we get is not because we created some really cool viral video, although there’s some value in that. At the end of the day, we created the word of mouse through social media because somebody had a transformative experience as a guest and they wanted to tell a few friends. Somebody may love the viral video that Volkswagen put out about the Beetle, and it will last forever because that’s how digital lasts today. The fact is after the first month, that doesn’t resonate on a cellular level with people about why you want to buy a Volkswagen. What resonates on a cellular level is when your best friend who you actually see every week reminds you why they love their Beetle. You would take a drive with them and you can tell that they love their Beetle. They love the service garage that they go to. They actually have their Beetle service there. So that experience is resonant and is consistent. So we put more money into a product than we do in some marketing because the product is the ultimate form of marketing.

**Ethan Whitehill:** I think that’s absolutely true and it’s funny because we actually just talked to Volkswagen not too long ago in Studio 2.

**Chip Conley:** Oh yes?

**Ethan Whitehill:** I think they feel the same way. They talk about from an advertising perspective or any other communication that they're doing, they're trying to connect to some meaning that they can share with the customer, the ultimate customer. What matters to them needs to be a part of that message.

I'd love to know a little bit – you're talking about social media. How are you managing social media? Are you monitoring conversations? Are you entering dialogues with customers online? What does that look like for Joie de Vivre?

**Chip Conley:** Well, we do have – each one of our hotels has a social media champion, and this is a line level employee who has been trained in social media. For a period of six months to a year, they are the lead persons who are out there. We do have some people at the headquarters who work on this but generally speaking, we decentralize it, make it the anarchistic approach to how to use social media because we don't want to feel too corporate. Does that mean we make mistakes along the way? Of course, but it doesn't mean that we creatively engage the connection between the individual properties and what people are saying about the properties and how it can connect with them. Like everybody else, we try to get as many Facebook followers and Twitter followers. Gary Vaynerchuk who wrote the book, *The Thank You Economy*, devoted a whole chapter on the book to Joie de Vivre and what our social media approach is. I think we're - in our industry, we're certainly ahead of the game. At the same time, I think that we are not lavish in our expending around social media and how we connect with followers. We don't want to listen to the – we don't want to be a little too intrusive in terms of conversations, but we also know that sometimes people say things when they're feeling anonymous about something and then if you swoop in and say, “[Alright], just what you said. Can we help you?” There's a little bit of weirdness around that. I've had my own experience with that with a company once where I said something in a tweet and next thing I knew, I had three people from that company reaching out to me. It felt good with the first person but the second and the third one was way overkill, and it was like a waste of time. So I do think it's important that we have our ear to the ground and that we're very responsive and at the same time, I think it's also we have to know the medium of social media. Tweeting is such that people sometimes say things in the moment that six hours

later, they might regret. Two hours later, they might regret and that you don't want to overreact to what you hear out there as well. I'm a big believer that this is the direction we're going and it's going to be that way forever. We're going to be communicating these new formats. You need to understand that our industry, the hotel industry, are all behind the times on this.

**Ethan Whitehill:** We have a lot of folks who may be investors or owners of their own businesses that are listening, and I know in your Peak model, in addition to employees and customers which we've talked about, investors are also important stakeholders. Could you speak to that just a little bit in terms of how you design the brand to be relevant to them?

**Chip Conley: Relevant to the small business [persons]?**

**Ethan Whitehill:** No. Rather the investor audience who has an ownership stake in the brand itself.

**Chip Conley: Yes. Well, the Peak model suggests that it is a holistic view. If you have a great relationship with your employees and your customers but not a great relationship with your investors, at some point, that's going to infect the employees and the customers. I actually – one of the things I talk about in Peak is that it may be hard to imagine that the investors are people, too, and they have higher needs just like anybody else. They've got lower needs and higher needs. Trying to help investors to move beyond just looking at purely the short-term material investment and looking instead at the long-term legacy associated with what's being created is one of the things we try to do as much as possible. In the most challenging of times, it's very hard to do that because in challenging times, we all move to survival at the base of the pyramid. So it's hard to get a legacy investor to get excited about writing checks to keep a business open when the business looks like it's bleeding. It's just important to know as a model going into it what are the key aspirations of an investor in looking at a deal because it's again having a clarity about their hierarchy of needs will make you more able to meet those hierarchy needs.**

**Ethan Whitehill:** Chip, thank you so much for your time. If somebody is interested in picking up Peak, where would they find it?

**Chip Conley:** You might find it in the book – it has been out for a little while so you might not find it in the bookstore. In bigger bookstores, you would. You could always go to Amazon; that's where most people find it. It's at Amazon. I have a new book coming out in January called *Emotional Equations*, which is taking the idea of emotional intelligence or so that intersection of psychology and business which is what I really find interesting, and making the idea of emotional intelligence more practical. So that's another book to look at which comes out in January.

**Ethan Whitehill:** That makes sense. Sounds great. Well, thank you.

**Chip Conley:** Alright. Thanks, guys!