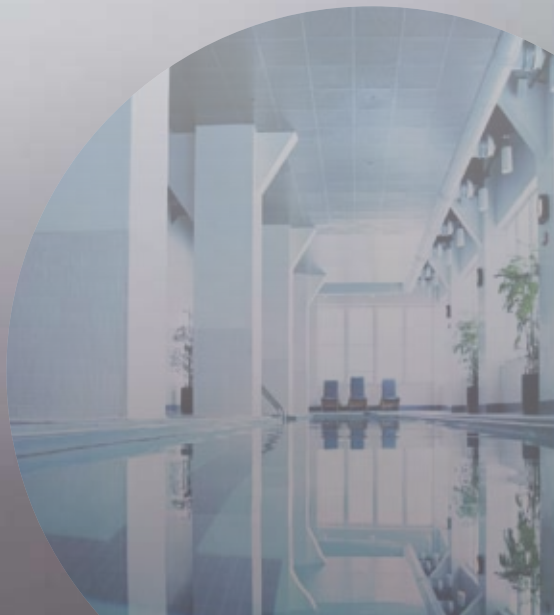




To Brand or Not to Brand?

The questions for resorts and hotels

Jonas Eilerson, Senior Consultant at Locum Consulting and an enthusiast for all things travel and hotels, spoke to Dries de Vaal, an independent consultant to the hospitality industry, about branding issues in the hotel and hospitality sector.





In the 'noughties' more people are travelling than ever before. Predictions in the 1990s, those heady adolescent days of the internet, that virtual reality would do away with business travel and millions of us would work from home have proved unfounded. Many people still travel for business, many more for leisure. At the same time, with the growth in the numbers of business and leisure trips over the past decade, albeit for shorter periods of time, there has been a leap in the expectations of the consumer. In particular, hotel guests are becoming ever more sophisticated in their needs, wants and desires, and a fiercely competitive hotel industry is using clever branding to target an ever more demanding and increasingly stratified market.

A huge number of hotel brands are now available to the traveller, and consequently, to the developer. It is not only the consumer who is confused by the plethora of hotel brands and sub-brands. Confused too are the developers, architects, designers and investors trying to keep up with a market in constant evolution.

Do you even need a brand?

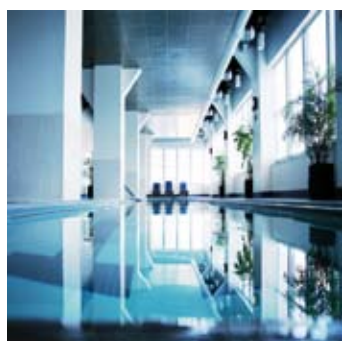
When it comes to deciding on a hotel brand, even very experienced developers and asset owners can be baffled, even fatigued, by the sheer choice of brands and the multitude of associated ownership and management options now available. This may be especially true when in emerging markets. Asset owners are unlikely to be sufficiently knowledgeable about:

- Whether they need a brand
- What a brand brings in terms of occupancy and rates
- Whether costs associated with signing up with a brand are economically justified
- What brand to choose in the first place

Proliferation of brands

The traditional distinction between convention, business and leisure hotels has become ever more blurred by the demands of the multi-tasking consumer, whose life and work spheres have become increasingly difficult to separate. As today's travellers are harder to categorise and segment as pure 'leisure' or 'business' travellers, hotel brands are jostling to satisfy consumers whilst differentiating their brand.

In attempts to adapt to the market, the major hotel conglomerates have created a flurry of individual sub-brands. These sub-brands often offer much the same kinds of services but each is neatly packaged to appeal to different segments. Through their affinity with the large hotel groups such as Starwood and IHG, the sub-brands are able to guarantee the consumer a certain standard in the quality of accommodation and service. In addition, and more importantly for the conglomerate, they are able to offer loyalty schemes – e.g. Hilton's Honors or Marriott Rewards.





Ice Hotel, Norway; Burj al Arab, Dubai

Brand Differentiation

So, how are all these brands differentiating themselves?

Historically, brand differentiation in the world of hotels was about certain givens e.g. the specification of the bedrooms, the minimum range of facilities available to the customer and, of course, a logo. However, differentiation nowadays is becoming ever more sophisticated. Major hotel conglomerates, such as Marriott, IHG and Accor, use their families of sub-brands to target increasingly specific market segments through a much more sophisticated and essentially experientially rooted approach. Just one example of this is Starwood's Le Meridien brand – here, developers and franchisors are given a pre-determined choice of furniture and inventory, down to the door knobs that have been specifically designed to evoke the feeling and experience of the Le Meridien brand. Another is the recent brand overhaul of one of the 'original' hotel brands, Holiday Inn, where the branding has gone so far as to develop a signature Holiday Inn public space scent which is to stimulate customer affinity with, and recognition of, the brand.

Branding matters

In short, it seems that branding matters because it gives a promise of an experience which guests wish to be associated with. Try to tell an avid shopper that 'a dress is a dress is a dress' and you will be at the receiving end of an offended, or at least bemused, stare; increasingly, the same is true for hotels. A hotel room is never just a hotel room – or rather, a hotel is much more than just a room – it is an experience. Even for properties adorned with just a few stars, the experiential element is completely incorporated in the hotel's brand and therefore it has to deliver. This is because, across the star spectrum, standards are becoming higher; even budget hotels, such as Travelodge, Premier Travel Inn and Yotel, are becoming increasingly sophisticated, offering pleasant bedrooms, quality beds and 'proper' bathrooms. And while

travellers in general are becoming richer, value-for-money is – and is likely to continue to be – very important; few are willing to splurge on a hotel experience that does not deliver.

As competition and standards in the branded sector rise, the mid-to-high-end hotel chains will need a more sophisticated approach in order to differentiate themselves. One way of doing this is through 'signature amenities', such as Westin's 'Heavenly Bed' or W's hip lobby bars; destinations in their own right. Another way is to offer other unique experiential elements – this, for example, is seen in Radisson SAS' Berlin property where the world's largest cylindrical aquarium has been installed in the lobby of the hotel, quickly becoming one of Berlin's 'must see' attractions.

Radisson SAS is effectively using this element of experience in its overall branding, and with great success. While sanity may question the need of Radisson SAS Stansted Airport's wine tower and flying 'wine angels', the feature of a 13-metre high wine tower with 4,000 bottles of wine is memorable and the association with 'Radisson' is likely to embed itself in a customer's mind.

These wine angels only go to show that as the market becomes ever more sophisticated, it is no longer enough for a hotel to provide just a 'bed for the night' – it takes more to woo the customers. In other words, to decide on a hotel brand, the developer really needs to know his or her market.

Brand as 'destination endorsement'

The right hotel brand can play an instrumental role in 'endorsing' destinations – this is particularly true for destinations in emerging markets as well as for those in need of a revamp. An example of the latter was when, in the mid 1980's, Brighton Borough Council realised that this British seaside resort's hotel facilities had become faded, leaving the resort in an increasingly un-competitive position. The Council decided to promote (and co-invested in) the development



of a brand new, 5-star, seafront hotel (the Ramada, now Thistle) in the expectation that this development would spur Brighton's existing hotels to upgrade, as a counter-competitive move. In the end, this was exactly what ensued, resulting in a revitalised Brighton.

In the same way that a shopping brand such as SAKS 5th Avenue or John Lewis plays a key role in putting a shopping centre on the map, in a resort destination, the right hotel brand is immensely important as it can be integral in branding the entire resort. Especially in emerging destinations, the hotel brand chosen for the resort will help put the destination on the map. Destinations that historically have not been known for high standards can receive a much needed boost by attracting the right hotel brand. In integrated resorts, the right hotel brand can impact significantly on the perceived attractiveness of residential components of the resort and therefore also impact on the viability of sales.

Hotel brands are also instrumental in branding cities or areas as being 'ready for business'. A city's hotel provision says a lot about the business climate and success – this is particularly true for the higher end of the hotel market. An example of an emerging business destination is Almaty in Kazakhstan where no fewer than 2,000 new five-star hotel beds are on the cards. The interest from

high-end brands, such as the Four Seasons or the JW Marriott, sends a message to the world that the destination is ready for business and visibly boosts the confidence of a city's business market.

Do you really need a brand?

As explored, there are clear advantages associated with choosing a well-known brand for a property. However, settling on the right brand is not easy; it can be time-consuming, complex and expensive.

The question developers need to ask themselves is whether there could be circumstances where the need for branding is so low that bringing a brand on would be nothing more than throwing away net profit. Increasingly, there will be instances where the only winner will be the brand – and not the developer. Actually 'helping' a brand to achieve higher visibility, especially in an emerging destination, could come with so many conditions for the developer that it is not an economically viable solution. The best brands know their worth. In addition, hotel brands are increasingly using architecture and design to differentiate themselves, which will put pressure on a developer to build more expensively; not all buildings can accommodate a wine tower or a monumental aquarium.

A final thought

For many developers, finding the right brand for their hotel project is a daunting and often time-consuming task. Getting it right, financially and in terms of getting the most appropriate brand for the hotel and its location, will be immensely rewarding. Get it wrong and it could be a disaster. What is clear is that brands are important to many consumers and that they are here to stay.

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