



Grant Thornton

An instinct for growth™

The brand dilemma

Hotels' roadmap to 2020



Hotel brands

Influence and power in the digital age

In the battle for guests, branding has traditionally been a powerful weapon. Customers – whether travelling for leisure or business – sought familiar names that offered a consistent experience, especially in new parts of the world. Innovative loyalty programmes encouraged them to return to the same hotel groups again and again.

Yet in recent years the power of hotel group brands has waned. Online travel agents (OTAs) and metasearch platforms have grown in popularity, frequently making price or location the key differentiator. Digital brands such as TripAdvisor, which judge the industry from outside, are becoming the go-to resource for travellers. In 2015, as in 2014, not a single hotel group appeared in Forbes' ranking of the world's 100 most powerful brands.

WHAT DOES THIS IDENTITY CRISIS MEAN FOR HOTELIERS?

At the very least, they should take a critical look at their brand equity and its value to the business. They should clarify their brand values and propositions in a changing market.

The battle is far from lost. The hoteliers and Grant Thornton specialists featured in this study explain how hotel groups can fight back. We find that, for many, the most effective weapon is now digital innovation. By refining their brand strategies to take advantage of new tools and platforms, hotel groups can carve out powerful new identities for the digital world.

Gillian Saunders

Global leader of travel, tourism and leisure
Grant Thornton



“The meaning of brands has evolved as sources of booking information have proliferated. But brands that are prepared to revamp the entire value proposition will find they are able to regenerate.”

Rohit Verma

Singapore Tourism Board distinguished professor, Cornell School of Hotel Administration, and executive director, Cornell Institute for Healthy Futures

Don't get mad, get even

OTAs may be growing in power, but the direct booking market in hotels is far from dead. Research suggests that, even among small hotel groups, one in three reservations are still made directly – whether online, by phone or through walk-ins.¹

And just as digital technologies allow OTAs to prosper, they also offer new opportunities for established brands. For instance, more than 60% of travel companies now use Instagram as one of their marketing channels.²

Crucially, many customers still believe wholeheartedly in brand. Gallup's research suggests that one in five hotel guests is 'fully engaged' – that is, emotionally connected to the brand. This rises to one in three in certain segments of the market.³

So there is clearly plenty to play for if hotel groups can get smarter about branding.

“The customer often goes for price but recognised brands can still hold sway.”

Ken Atkinson

Executive chairman, Grant Thornton Vietnam



¹ 'Little Hotelier: The guest relationship isn't dead, 1 in 3 reservations made direct to property,' hospitalitynet, 2016

² 'Instagram now one of the top-five travel marketing channels,' hospitalitynet, 2016

³ 'From economy to luxury, what matters most to hotel guests,' Gallup, 2014

⁴ 'Fast-forward to 2017: What will the global hotel industry look like?' hospitalitynet, 2016

⁵ 'The power of reviews – according to TripAdvisor travellers,' YouTube, 2015

⁶ 'From economy to luxury, what matters most to hotel guests,' Gallup, 2014

New ideas

Recent steps forward

Hotels around the world are making changes to their offering that improve the guest experience. Here are some examples of innovation in the industry.

THE RISE OF CONTENT

Hoteliers' websites increasingly include content on local attractions. The Hoxton Hotel in London, for example, publishes 'Hoxtown', a programme of events, blogs and guides to showcase local attractions. Meanwhile, Fairmont Hotels & Resorts commissioned leading photojournalists to give guests a glimpse of what goes on behind the scenes at their hotels.⁷

SEGMENT FOR MILLENNIALS

Marriott, Hilton, Starwood and Hyatt have all invested in new brands aimed at younger customers, typically featuring design-conscious branding and even greater price competitiveness.⁸ And to understand what is 'important and significant for young travellers', the St Regis Mexico City has appointed its first Chief Millennials Officer.⁹

"I think the consumer is looking increasingly for the hotel experience, and that appetite is increasing. I want to go to a hotel because it's going to surprise me, engage me and challenge me."

Robin Sheppard
Founder, Bespoke Hotels

NEW FRIENDS ON SOCIAL

Hilton's DoubleTree won millions of new followers on Twitter and Facebook with its 'Little Things' project. This asked people what small things would improve their trip, then sent thousands of these items to DoubleTree guests – some even received iPads.¹⁰

ACT DIFFERENTLY TO STAND OUT

Award-winning boutique chain Salt Hotels has a philosophy that sets its brand apart from more conventional chains. It prides itself on abolishing 'staid traditional hotel rules', such as check-in times and wifi restrictions.¹¹ Lark Hotels, another boutique chain, differentiates itself by providing 'imagination and a touch of mischief'.¹²

INDEPENDENTS GO SOFT

Independent hotels have beefed up their reach by joining 'collections' run by the largest groups. These 'soft brands' give them distribution benefits without requiring that they give up their individual brands.¹³

⁷ 'Fairmont Hotels & Resorts partners with NAMARA Represents on first-of-its-kind photojournalism project,' Market Wired, 2016

⁸ 'These are the brands the biggest hotel chains are building to attract millennials,' USA Today, 2016

⁹ 'Alejandra Ramirez named first Chief Millennials Officer at The St. Regis Mexico City,' ehotelier, 2016

¹⁰ 'Top 5 hotel brand campaigns of the last 5 years,' Pixel8, 2016

¹¹ 'Salt Hotels redefines the rules with new boutique hotel brand,' hospitalitynet, 2015

¹² 'Singing a new song in luxury travel: Lark Hotels,' Forbes, 2015

¹³ 'Analysis: independent hotels,' Buying Business Travel, 2015

New identity

Six routes to a stronger brand

The battle against commoditisation will be fought on many fronts. Some hotel groups will engage more directly with the OTAs, establishing digital brands as compelling alternatives to the aggregated model. Others will seek a broader approach based on customer loyalty.

These approaches are not mutually exclusive. For hotel groups, the first priority is to assess which customers they are targeting and how effectively the brand is communicated to those customers through different channels. Below, we explore six tactics that hoteliers can mix and match to have the strongest impact on guests.

1 BUILD THE ONLINE BRAND

Online intermediaries do not have a monopoly on digital expertise. Many hotel groups are building stronger brands online, forging relationships with consumers to drive direct bookings.

Hotels also need to accept that many consumers today are 'mobile first'. Some hotel groups are taking advantage of this. Hilton Hotels, for example, is launching a series of marketing initiatives in 2016 including its 'Stop clicking around' campaign,¹⁴ which urges travellers to book directly through its mobile app.¹⁵

"As an independent, I can buy all those different tools and use them to see if customers can find me better through online marketing; that online marketing becomes a very transparent gain."

Senior executive,
Independent hotel group

2 REACH OUT TO INFLUENCERS

Influencer marketing works on a number of levels. Last year, Marriott's 'It pays to book direct' campaign featured YouTube personality Grace Helbig.¹⁷ Celebrity endorsements are also becoming more common: the Mandarin Oriental Group's 'He's a fan, she's a fan' campaign, for example, has recruited actors and models to support the brand.¹⁸ Brand association, such as working in partnership with well-known chefs to develop menus, is another popular tactic.

"As social media has gained momentum, word-of-mouth marketing offers brands a reliable and remarkably consistent method of driving not just share of voice, but also share of wallet. The multiplier effect of an influencer story is hard to replicate."

Hassan Ahdab

Vice president and regional director – Africa & Indian Ocean, Starwood Hotels and Resorts Worldwide

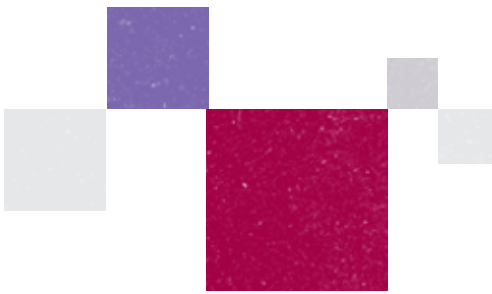
¹⁴ 'Accor acquires Fastbooking a b2b hotel tools provider,' tnooz, 2015

¹⁵ 'Stop clicking around,' YouTube, 2016

¹⁶ 'Hilton infuses mobile throughout mass and personalized appeals,' Mobile Marketer, 2016

¹⁷ 'Hotel chains and travel websites in a tug of war for customers,' The New York Times, 2016

¹⁸ 'Mandarin Oriental announces new celebrity fan for global brand advertising campaign,' hospitalitynet, 2015



3 SEGMENT THE BRAND

Segmentation is a tried-and-tested tactic for many hotel groups, enabling businesses to target market niches using a customised brand identity. Cycas Hospitality, for example, was set up to focus specifically on customers looking for an extended stay in a hotel. Doug Bastin, hospitality leader at Grant Thornton Canada, says that the key is to build a detailed understanding of the niches your brands are designed to serve, while working hard to avoid brand confusion. “You must understand exactly what your customers want,” he says. “It’s about building a brand tailored to the specifics.”

“The last thing I ever claim is that I’ve got magic fairy dust. What it takes is a focus on understanding that group of customers and how they’re different from others. It’s not so hard. It’s just hard to focus.”

John Wagner
Development director, Cycas Hospitality

4 DELIVER THE EXPERIENCE

Guest experience is key to brand differentiation. Groups that engage meaningfully with consumers create ‘brand stickiness’. It all comes down to building a personality. Angeles Alarcó Canosa, president of Paradores de Turismo, told us that Paradores has developed three separate sub-brands offering distinct offers. Its Naturia hotels focus on the natural environment; its Civitia properties in cities focus on business tourism; and its Esentia chain consists of buildings of historical value.

“The unique thing for us has been to build on the fact that Virgin has always been a brand with a legacy of music. Every Virgin hotel will have this throwback to music.”

Allie Hope
Head of acquisitions and development,
Virgin Hotels

5 FOCUS ON THE PHYSICAL ESTATE

Despite all the talk about digital, hotel groups should not lose sight of the brand significance of their physical estate – the look and feel of their hotel properties. Canny investment adds huge value: Starwood sub-brand Ace Hotels bought the Crowne Plaza hotel in London's Shoreditch out of administration in 2012 and restyled it to reflect the fashionable location. Last year, the property sold for £150 million.¹⁹

“Brand is about consistency: the single biggest thing we own is the brand. It is part of our equity and along with our internal culture it is very important to us. The difference in the hotel you're staying in is the people that work there.”

Mark Hope
Executive director brand development, Coast Hotels

6 CONSOLIDATE FOR SCALE AND POWER

Hotel groups that can build global portfolios of good-quality properties will find it easier to create international brands that guarantee quality and consistency. The deal still faces some hurdles, but Marriott International's takeover of Starwood Hotels & Resorts was finally agreed in April. The merger is partly predicated on this 'consolidation' theory, and is expected to begin a wave of such deals in the sector.²⁰

“The power in the big groups lies in the branding. If I go somewhere and there's a Marriott as well as a couple of hotel groups I've never heard of, I'll stay in the Marriott. It's a comfort thing plus I get access to powerful loyalty and incentive schemes.”

Simon Hudson
Endowed chair in tourism and hospitality,
University of South Carolina

Marriott and Starwood embrace scale

Marriott's US\$12.2 billion merger with Starwood, agreed in April 2016, will create the world's largest hotel company: 1.1 million rooms in more than 5,500 hotels, spread across more than 30 sub-brands.

Such scale will bring advantages. While both sides are pledging to retain their high-performing brands, weaker brands may be cut. Both companies have popular loyalty schemes and are promising to offer the best of both to each customer base, further cementing the value on offer.

The group's combined market share and the expected cost savings will be important as the hoteliers fend off competition from OTAs and disruptors such as Airbnb. The hotels will be able to drive a harder bargain with intermediaries while furthering the reach of their own brands.

¹⁹ 'Ace Hotel London sold for £150m,' The Caterer, 2015

²⁰ 'Starwood/Marriott deal: Is bigger better?' Seeking Alpha, 2016

Winning the battle for guests

Choosing your strategic plays

TAKE ON THE OTAS

Hotel groups should not be afraid to take on the intermediaries. There is no reason why hotels with convenient, well-designed websites cannot compete. Even where customers do use OTAs, many still visit the hotel's website before making a final decision. This provides an opportunity to garner direct bookings with offers that the intermediaries cannot match – whether on basic price, special deals or additional services.

Hotel groups do not have to become technologists in order to use big data and 'own' the entire customer journey. Steven Perkins, Grant Thornton's global leader of technology, media and telecommunications, argues that adopting a partnership model affords greater flexibility and speed. "They are going to need to look for partners in the digital media and social transformation space," he says. "I'd be looking for people who could help me transform the whole experience – from discovery of customers through to checking them out."


"Hotels need to understand what consumers want and will pay for. The sector has access to almost real-time feedback from TripAdvisor. The most effective way to prevent guests posting adverse reviews on TripAdvisor is to deal with the issue when the guest is on site."

Adrian Richards
Head of consumer, Grant Thornton UK

GROW THE DIGITAL CAPABILITY


Hotel groups need new skills to compete in the digital world. Above all, they must learn to communicate with customers using new forms of visual and video content and social intelligence. That not only applies at the customer acquisition stage, but also during and after the stay – with individual responses to customers' digital feedback.

There are some hotels at the cutting edge here, says Andrew McBean, a partner at Grant Thornton Thailand. "I have one client who uses a tool that assesses the social media profiles of guests and treats them in a special way if they've got lots of followers and friends. Hotels will send them pictures in the hope that they'll be retweeted, say, and interact with them very personally. The guests become brand ambassadors."



"It is more important to invest in quality than quantity: look to build brand image across the different online experiences that customers have with your company."

Amancio Lopez
President, Hotusa Group



“You have to negotiate the best deal with intermediaries for the best interests of your company. For us, it’s actually helpful to get the global reach through these people.”

Puneet Chhatwal
Chief executive officer, Steigenberger
Hotel Group

KEEP TABS ON THE IMAGE

Brands must be renewed and maintained. Hotel groups that do not monitor recognition, awareness and favourability cannot be confident that their branding stands for the values they think they are expressing. They must focus on quality and consistency of message.

Brand is about culture rather than marketing. Brand standards and training programmes already exist to ensure consistency; the trick is making customers aware of the brand in advance – and ensuring that their experience matches their expectations. Enrique Sarasola, co-founder of Room Mate Hotels, suggests that hotels: “create a brand culture that makes you feel proud to belong. Ultimately you have to communicate what you are and what you want. We always say that what is not communicated does not exist.”

EXPLORE NEW DISTRIBUTION CHANNELS

New partnerships and collaborations may provide further opportunities to establish the brand – even if doing business with ‘the enemy’ feels unnatural. Some hotel groups are turning to deals with Airbnb, for example, while Marriott has signed a deal with TripAdvisor to offer its hotel rooms through the site. The deal enables Marriott to build direct relationships with customers who come to the brand in this way.

“Experimentation will be crucial, and hotel groups will need to measure the returns on investments they make in different channels and from different demographics,” says Alvin Wade, a partner at Grant Thornton US. “There are some really interesting dynamics,” he adds. “Even in the same household, one spouse may be cost conscious, while the other is focused on brand, so understanding who is doing the booking will be important, too.”



CitizenM exploits social media

From the word go, boutique hotel chain CitizenM recognised the potential of social media. Its hotels are continually promoted through digital marketing – such as video content that shows off its design credentials and online media players that offer virtual tours of its hotels.

The company also regularly uses social media to build interest in new hotel launches. So for the launch of its new hotel at Charles de Gaulle airport in Paris, it offered its Twitter and Facebook followers the chance to stay for free. Followers were required to watch the group’s feeds carefully in order to grab rooms on a first-come, first-served basis.

And by including photo albums of events in and around its hotels, CitizenM shows that it understands the importance of visual storytelling to the brand and to building loyalty.

These sorts of techniques help consumers to develop a stronger, more personal connection to the brand.

The future of the brand



LIFE IN THE OLD BRAND YET

Hotels should not focus all their efforts on creating a brand that simply reflects today's hotel landscape – industry trends are evolving far too quickly for that. Instead, hotels need to design a brand that is relevant for tomorrow's guests. Here, we outline what the future might hold.



SIGNING SOCIAL MEDIA STARS

Traditional brand ambassadors, such as Hollywood actors, may not appeal as much to Millennials. Research by *Variety* magazine suggests that YouTube stars such as Smosh have more influence over US teens than movie stars or pop singers.²¹



FROM LOYALTY TO COMMUNITY

InterContinental Hotels believes that the key for brand renewal will be to transform loyalty schemes into 'membership communities' that encourage consumers to engage with one another.²²



EVERYTHING AS A SERVICE

Cloud computing will make it much easier for hotel groups to harness new technologies as they emerge, without significant investment in IT renewal. These technologies will include powerful new marketing tools.



HARNESSING THE INTERNET OF THINGS

Wearables and sensors will produce constant feedback loops that enable hotel groups to interact with guests in real time, creating powerful new relationships.



UNDERPERFORMING BRANDS WILL DISAPPEAR

As hotel groups learn to measure the value delivered by their brands in ever-more sophisticated ways, those that fail to deliver will be killed off.

²¹ 'Hotel marketers should embrace influencer marketing,' Revinate, 2015

²² 'Meaningful membership: Transforming membership in The Age of I,' InterContinental Hotels Group



? Five big questions for hotel groups

- 1** Do you know what your brand stands for, and do you measure customer perceptions to gauge your brand's visibility and favourability?
- 2** Do you target different customer segments that require you to operate through more than one brand? If so, do you understand each of those segments and where they overlap?
- 3** How does your content build the brand online and offline? And how else can you use mobile and social channels?
- 4** How have you developed your physical estate, property and culture, to reflect your brand values? Are you consistently delivering your values in your hotels?
- 5** Have you considered new partnerships – including with potential rivals – to enhance brand awareness?

OUR EXPERIENCE WITH HOTELS

Our team has a broad range of hands-on experience in the hotels and broader hospitality sector, bringing insight and in-depth knowledge of sector trends. With specialist teams in more than 130 countries, we can help you develop and implement strategies that will surprise and delight your guests – and keep them coming back for more. To learn more or connect with a specialist in your country, visit: www.grantthornton.global

About Grant Thornton

Grant Thornton is one of the world's leading organisations of independent assurance, tax and advisory firms. These firms help dynamic organisations unlock their potential for growth by providing meaningful, forward-looking advice. Proactive teams, led by approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients and help them find solutions. More than 42,000 Grant Thornton people across over 130 countries are focused on making a difference to our clients and colleagues and the communities in which we live and work.

Global contacts

Global leader

Gillian Saunders	South Africa	+27 (0)10 590 7200	gillian.saunders@za.gt.com
------------------	--------------	--------------------	--

Africa

Dinesh Mallan	Botswana	+267 395 2313	dinesh.mallan@bw.gt.com
Parag Shah	Kenya	+254 20 375 2830	parag.shah@ke.gt.com
Tarik Maarouf	Morocco	+212 5 2254 4800	tarik.maarouf@ma.gt.com
Kalpesh Patel	Uganda	+256 414 3803 80	kalpesh.patel@ug.gt.com

Americas

Charles Walwyn	Antigua	+1 268 462 3000	charles.walwyn@ag.gt.com
Alejandro Chiappe	Argentina	+54 (0)11 4105 0000	alejandro.chiappe@ar.gt.com
Doug Bastin	Canada	+1 604 443 2149	doug.bastin@ca.gt.com
María de los Ángeles Guijarro	Ecuador	+593 2255 1811	madelosa@ec.gt.com
Guillermo Segura	Mexico	+52 55 54 24 65 00	guillermo.segura@mx.gt.com
José Luis Sarrió	Peru	+51 1 615 6868	joseluis.sarrio@pe.gt.com
Aida Ramírez	Puerto Rico	+1 787 754 1915	aida.ramirez@pr.gt.com
Anthony Atkinson	Saint Lucia	+1 758 456 2600	anthony.atkinson@lc.gt.com
Alvin Wade	United States	+1 214 561 2340	alvin.wade@us.gt.com

Asia Pacific

David Hodgson	Australia	+61 3 8663 6013	david.hodgson@au.gt.com
Tom Sorensen	Thailand	+66 2 205 8240	tom.sorensen@th.gt.com
Ken Atkinson	Vietnam	+84 8 3910 9108	ken.atkinson@vn.gt.com

Europe

Xavier Lecaille	France	+33 (0)1 56 21 03 03	xavier.lecaille@fr.gt.com
Thomas Wagner	Germany	+49 211 9524 8431	thomas.wagner@wkg.com
Colin Feely	Ireland	+353 (0)1 6805 616	colin.feely@ie.gt.com
Alessandro Dragonetti Mark	Italy	+39 02 76 00 87 51	alessandro.dragonetti@bernoni.it.gt.com
Bugeja	Malta	+356 21320134	mark.bugeja@mt.gt.com
Ramón Galcerán	Spain	+34 93 206 39 00	ramon.galceran@es.gt.com
Aykut Halit	Turkey	+90 212 373 0000	aykut.halit@gtturkey.com
Adrian Richards	United Kingdom	+44 (0)20 7728 2001	adrian.n.richards@uk.gt.com

Middle East

Hisham Farouk	UAE	+971 4 388 9925	hisham.farouk@ae.gt.com
---------------	-----	-----------------	--



© 2016 Grant Thornton International Ltd. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.global

V25700