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- Tourism Success Stories and Shooting Stars-

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SESSION 2: SUCCEEDING IN GLOBAL TOURISM (LESSONS IN MARKETING)

KEYNOTE PRESENTATION ON
“HOTEL: MANAGING BRANDS, STANDING-OUT AND BECOMING A GLOBAL PLAYER”

by

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From the earliest of times when mankind began to trade we have been drawn to the affinity and promises that a brand afforded us. In the beginning the brand was the family name. Whether it was a tailor, a wagon builder, a painter, a mason or a tradesman, the family name of that product or business differentiated that product or service from other competitors and established a value that allowed the merchant to charge a certain price for those goods and services.

Over the centuries as both the producer and consumer became more sophisticated, the family name was replaced by a product name that better described the good or service. As economies and trading grew, we became more sophisticated consumers and complete industries grew up around the prospect of developing goods and services and how to differentiate them not only from the competition but also from products or services within a brand line or extension.

With the advent of globalization and businesses expanding their horizon into more countries, domestic products were being pushed and bumped aside by products and services whose origin was in one country and its distribution and sales were in another country.

The proliferation of the global brand can be seen in our audience today. Just look around and you will see that most of us have a certain brand of clothing, or a watch or a pen. We have come to see brands as an expression of ourselves as well as an extension of our aspirations. We drink a certain beverage, we drive a certain car, we belong to certain affinity cards and we can look at any of our kitchen cabinets and see an array of products that carry brand names that we trust, in which we believe give us more value, have brand integrity or bond with us as the dependent human beings that we are.

So is it any wonder that if we care about which brand that we drive or which brand we use to fly or cruise on, that we would also have an affinity for which hotels we stay in. In fact over the past 20 years the growth of global brands has been explosive. Today over 30% of the global room stock is in the hands of global branded hotel chains, the leaders in global branding are well known to most of us, names like InterContinental Hotel Group, Marriott, Hilton, Wyndham Worldwide and Starwood. Each of these hotel companies has a number of hotel brands within their portfolio and each of these companies has expressed a significant vision to exponentially grow their brands in the global sector. Besides the chain hotel companies there are the one-brand companies like Travelodge, Premier Travel Inn, Kempinski, Mandarin Oriental and Four Seasons just to name a few that are also announcing global expansion plans. Beyond the branded groups you have a number of affiliations and memberships like Preferred Hotels, Leading Hotels, World Res, and Best Western and management groups that affiliate with many different brands, all pursuing the global trail of brand fame and

fortune and a world of no borders for global, regional and local business and leisure travelers.

Since 2001 the recovery in global travel has been utterly remarkable. This has been fueled by the growth in economies of countries like China, India and the Middle East, the stabilization of Russia and the outlying countries, the admittance of new countries to the EU. The re-structuring of e-commerce, the growth of private equity, the availability of funds due to low interest rates and many more drivers have created an unprecedented growth in disposable income and demand for more leisure travel. The facilitators for this travel for both business and leisure have been the growth of low cost airlines, the transparency of prices, locations and quality of hotel products on the internet, the advances of technology where we can carry our virtual office with us or bring our favorite entertainment to our destinations. Our thirst for travel has also been driven by our need for more adventure, more things to do and see and, for us baby boomers, more time to do it as we see the pace of life speeding ahead. So the good news is that for the foreseeable future the demand for travel and the accommodations that go with that travel will continue to increase. For the hotel chains, the individual brands, the affiliations and management groups, this is all good news and should bode well for their shareholders.

But it is not just about the growth for the global brands, it is about capturing market share. And that is the same battle whether you're a hotel brand in China, India, Europe or the Americas - capturing share is all about **STANDING OUT** and offering your guests the differentiation that creates loyalty and frequency.

Creating loyalty, guest preference and frequency is the true goal of any brand whether it is in the luxury tier or in the budget sector. How the different brands accomplish this is both a science and an art. Every guest experience is an amalgamation of decision points. It usually starts with destination or location, then moves to brands in that location and then to the price. The decision factor between price and brand is where the value proposition plays a key role. Not every guest picks on price alone; they choose based on the brand's equity, previous experience, value for money and the emotional/aspiration aspect of staying with that brand.

In today's buoyant hospitality industry brands are competing for locations, for higher revenues, guest satisfaction and guest preference. Hotel chains use a number of tools to achieve these goals and to build brand differentiation.

It is important to remember that, when global brands develop outside their country of origin, they are trying to use a push-pull strategy. They work at pushing out the local competition by introducing standards in product and service that the local brand may not provide. Many times they either build new product or they convert facilities to their brand, thereby benefiting from being the "new and fresh face" on the block. Through strict and consistent standards, they are able to deliver a global standard in product and service, but the brands also recognize the importance of localizing their offering to endear the local leisure and business travelers.

Many brands also introduce affinity programs that are a combination of their own loyalty cards tying into airline programs and credit card programs, again bringing the global strength of those programs to the local market. Most brands also have corporate programs that typically work on two tiers - a program available for the local business

clientele and programs that tie to global companies. Many global companies have hotels brands that they prefer to have alliances with through room contracts to provide those travelers with a consistent experience around the world.

Brands also differentiate themselves through other marketing and sales programs that reach the local market as well as the regional traveler. These can vary from packages to leisure breaks and special price promotions, all of which integrate with the overall message of the brand.

The pull theory of the global brand development is based on pulling the guest who has experienced the brand's product somewhere else in the world to another destination on either business or leisure. The theory is that, if you enjoyed the hotel experience on business, then you'll enjoy the hotel on your leisure travel, obviously destination being a key factor on leisure travel. At the same time if you're traveling on business, it is very likely that your company has an agreement with one of the brands and therefore there is incentive to stay with that brand when you travel from one business destination to the next.

We know from our own research that not all business travelers are alike, the GEN X traveler is more involved in business travel than the BABY BOOMERS and that BABY BOOMERS are more inclined to travel on leisure because of higher disposable income and fewer family members traveling with them. The challenge of every brand is how you deliver your brand promise on a global scale and on a consistent basis.

All of the various elements that differentiate a brand or establish the value proposition of a brand can be completely undermined by a guest's experience on property. Guest experience on property is the single most important aspect of delivering a brand statement to the ultimate consumer. Many hotel brands invest millions of dollars in beds, bedding, design, decoration, and technology and bath amenities. The brands introduce fashion design and celebrity restaurants, but all of that can go awry if the expectations that are set are not delivered.

Global brands need to create differentiation not only in the "hard product" but also in the delivery of that product and experience to the guest. To deliver the expectation and create guest preference, global brands need to establish systems and networks that deliver the "brand promise". They need to balance the need of a consistent global "brand promise" with expectations and needs of the local market and the simplicity needed to deliver the promise 100% of the time.

Global Brands that stand out have been able to master the design and development of standards that meet the guests' needs and expectations. They have set up systems that support and monitor how those standards are being delivered. They build relationships with their guests that constantly give them feedback on how well the brand is meeting the expectations of their guests and what they need to change to meet the demands of guests as their needs change. The successful global brand differentiates itself by building a strong connection between the advertising, the standards and the guest experience on property. A brand's promise is only as good as its delivery.

As brands continue to grow on a global basis and as new brands continue to look at global expansion, we will see the guest ultimately benefiting from this growth. Brands will continue to be challenged on what products and services to provide guests as the

traveler changes their expectation for business or leisure travel. We travelers are a finicky group and we change our tastes for destinations, products and services routinely. The brand that can use research effectively and incorporate design, product and service standards into a real life deliverable stands to win the game. Ultimately with consumers or the guests it always boils down to how well we serve up and deliver the brand standards. It doesn't really matter whether you're a luxury brand or a budget brand, the guest has the same high expectation of what your brand promise is and how it was delivered to them personally.

As the hotel business continues to expand and as consumers continue to change their expectations, the hotel companies will continue to be challenged to not only offer differentiation of their existing brands but also increasingly look at further segmenting brands or adding new tiers of brands as guest expectations, habits and behavior change. We have seen the expansion in the past decade of long-stay brands, the addition of brands without extensive food and beverage, the explosive growth of design and lifestyle hotels, the "simple" hotel concept and many more. All of these brands or tiers are targeting different guests so that the battle of market definition and share continues unabated into the foreseeable future. This ultimately provides researchers, marketers, advertisers and a host of hundreds of other people with the opportunity and challenge to continually search for the key to managing and creating brand differentiation in an increasingly cluttered and global hotel market.

Of course as global brands search for better ways to capture guest share of heart, mind and wallet, the independent hotel brand will continue to battle for its share of opportunity. The independent brands will find it increasingly difficult to define their differentiation and market position. Many of them will succeed because of location and their personal brand attributes but in conclusion the guest is the ultimate arbitrator on which Brand delivers the brand promise and the value proposition. The good news for the guest is, through the efforts of a brand to become a more globally recognized brand, the guest should receive a good night's stay, warm, friendly service and a quality meal offering. How these basic concepts are delivered is truly the measure of a brand and the promise of that brand!

Thank you.