



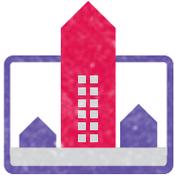
Grant Thornton

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EXTRACT FROM HOTELS 2020

Brand matters: *winning the battle for relevance*





Brand matters: winning the battle for relevance

As consumers use online intermediaries to find the cheapest rooms and the most convenient locations for their trip, hotels face a future in which the strength of their brand has dwindling influence over customer choice. But the hotels that can get branding right in a digital era face a clear opportunity to grow market share.

When finding a hotel, leisure travellers increasingly rely on online travel agencies (OTAs) like Expedia and Booking.com, or meta-search engines such as Trivago and Kayak to find a good deal and read other consumers' feedback. As a result, convenience and price are overtaking brand recognition as the driving forces behind leisure guests' booking decisions. In the digital world, hotel brands are becoming less visible.

“Most people look first on OTAs and comparison sites. They read the reviews, then book, and only then notice there’s a brand attached.”

Adrian Richards

National leader of hospitality and tourism, Grant Thornton UK

“David Michels famously said, ‘One day there’ll only be one brand,’” says Robin Sheppard of Bespoke Hotels, “and that brand is already here. It’s called TripAdvisor.” Frank Croston, founding partner of Hamilton Hotel Partners, agrees the hotel brand is losing currency in a digital world. “If you’re going to a city you haven’t been to before,” he says, “the psychological comfort of a familiar brand used to be disproportionately high. Now, you look at an aggregator and see a whole range of choices.”

For business travellers, the picture is slightly different.

“I think it depends on who the consumer is. For a 30-year-old booking a vacation, brand won’t even cross their mind. But I think your more seasoned business traveller does care.”

Alvin Wade

National leader of hospitality & tourism, Grant Thornton US



“In tomorrow’s hospitality industry, savvy hoteliers will still be able to use their brands to influence consumers.”

Gillian Saunders
Global leader of hospitality & tourism, Grant Thornton

Even though business travellers often do not make bookings themselves, reinforcing the brand is important because their preferences will influence the decisions of commercial bookers.

New touchpoints

According to a Mintel study in 2014¹, only half of guests will visit a hotel’s website before booking. And many business travellers will arrive at a hotel that has been booked for them by others – they will have no visibility of the brand before check-in.

If guests aren’t visiting the brand’s websites, hotels have lost a vital channel to communicate their brand message. “If you take an OTA,” explains Eric De Neef, EVP and chief commercial officer at Rezidor, “you have no brands. The OTA is just a distribution channel.”

- 1 'Hotels – UK,' Mintel Group Ltd, October 2014
- 2 'Hotels – UK,' Mintel Group Ltd, October 2014
- 3 'The world's most valuable brands,' Forbes, 2014
- 4 'Hotels – UK,' Mintel Group Ltd, October 2014

48%

of guests will not visit the hotel’s website before arrival²

0

Number of hotel groups in Forbes’ 2014 list of the world’s 100 most valuable brands³

79%

guests see price as a key factor when choosing a hotel⁴



In response, hotels should develop new touchpoints to communicate with their current and prospective customer base. Hotels need to learn to talk to their customers through mobile, social media and online channels more effectively. As discussed in ‘Building the digital-ready hotel: how to avoid disruption’, they also need to think about how negative comments left on social media can do lasting harm to their reputations.

Some hotels are already using digital to support their branding in this way. This is most notable among smaller independent and boutique hotels, whose websites frequently contain well-crafted content about local attractions, restaurants and things to do. CitizenM, for example, produces CitizenMag, its own ‘online lifestyle magazine.’ As guests share this content on social media, they are making the hotel brand stronger.

“The brand playing field for boutique hotels has been massively enhanced by social media. Their websites are more content-rich, more linked to sites in the destination.”

Frank Croston

Founding partner, Hamilton Hotel Partners

Meanwhile Michael Dominguez, senior vice president for hotel sales at MGM Resorts International, says hotels should encourage authentic video content from guests. “We want videos that go viral. Those that do tend to be organic – it can be as simple as a business executive taking out their camera while having an experience”, he explains. “But hotels have to avoid the temptation of trying to control the message. The hotels that will be most successful are those that are prepared to be transparent and to allow something to grow organically.”

Over time, as we have seen in other industries, hotel brands will increasingly become content publishers. They will need to consider what is likely to appeal to their guests and make it available through the most appropriate channels.



More distinct experiences

A guest's perception of a hotel's facilities and service will influence their future choices. An extreme experience, whether good or bad, is likely to make them voice their feelings on social media.

"The experience you have at the property level is now the only thing that hoteliers own," believes Rezidor's De Neef. "Brand communication comes through in the hotel experience. The most successful brands will be those that anticipate guests' needs and deliver the promise accordingly."

"If I book a Marriott, Comfort or Hilton Garden Inn I know what I'm going to get because their brand standards are so tight."

Joann Cangelosi

National leader of hospitality, Grant Thornton US

A number of boutique and smaller hotel chains are creating distinctive experiences that resonate with their core customers. In early 2015, Virgin Hotels said it was differentiating itself by providing a 'female-friendly' experience, featuring better security and enhanced bathrooms⁵. Meanwhile, the Hoxton is pursuing a global expansion programme while promoting itself as an 'anti-hotel' geared around giving guests an authentic experience of the city they're visiting.

Hotel Verde in Cape Town, which has been described as 'Africa's greenest hotel', focuses on giving business guests an environmentally friendly, carbon-neutral experience. "There are more and more people specifically asking for green accommodation," says founder Mario Delicio. "The time is right for hotels that are built on sustainable principles."

Hotels targeting the B2B segment also need to consider how guest experience will influence the future decisions of business travellers and commercial bookers. The challenge is to ensure they give every guest the same experience and that their staff interacts with guests in a way that is consistent with the brand.

Fragmenting the brand

"I think most people have different patterns of behaviour according to what it is they're doing," says futurist Dr Ian Pearson, "whether they're going on a holiday or a quick business trip. I think you can justify a variety of different offerings."

In recent years, this belief has led many hotel chains to develop a portfolio of brands with distinct offerings. Hilton, for example, offers a luxury stay to guests through its Conrad Waldorf Astoria hotels while providing a lifestyle-oriented experience through its new Canopy by Hilton range. Similarly, Marriott operates Ritz-Carlton for high-end travellers as well as its highly style-conscious boutique hotels, Marriott Moxy.

28% of business travellers are influenced by a hotel's proximity to their meeting⁶

⁵ 'Plenty more space in the closet,' Economist, January 2015

⁶ 'Free wifi tops business travelers' list of hotel must-haves,' Skift, 25 August 2014

Grant Thornton's Adrian Richards says, "you've got multi-branding because you've got different socioeconomic groups and they're trying to segment the market. You haven't got a big multi-national saying, 'This is what you're going to receive'. The consumer is saying, 'No, this is what I want'. Hotel chains are having to react accordingly."

Régis Kahn, director of strategy and e-commerce at InterContinental Hotels Group agrees. He says, "I believe the trend will be for brands to stop being uniform and to match needs that hotels are currently not matching."

"One of the dangers of this approach is that there can be brand confusion, with consumers expecting the same kind of offering across all sub-brands."

Adrian Richards

National leader of hospitality and tourism, Grant Thornton UK

"Hoteliers are increasingly looking at the cost of guest acquisition," says a spokesperson from Amadeus Hotels Management, "not just in terms of one single stay but the lifetime value of a guest. This is where having a single view of the guest across all operations is essential for hotel brands to be able to identify the right potential guests to target via which channel with which offer at which time."

Another important question will be how far multi-branding can continue over the long term. Rezidor's De Neef says, "I think, at the brand level, we will face a consolidation. When I look at an operator with 11 or 15 brands, I ask myself, 'Can you really drive this in Paris?' It's very costly. It's demanding workload-wise. And it's confusing for the guests, as the brand value proposition can't be distinct enough."

Act now to welcome 2020

We think the hotels of 2020 will still be able to use their brands to influence consumers – but only if they can truly understand and capitalise on individual market segment needs. Hotels will need to create content that is meaningful for their guests to maintain brand identifiable and unique touch-points in a digital age.

Ultimately, hotels will have to work through the impact of technology as well as brand fragmentation and the challenges of delivering customised experiences to their market segments whilst maintaining a single brand.

Alvin Wade

National leader of hospitality and tourism, Grant Thornton US



Five brand questions for hotels

- 1** Which guest segments will be most valuable to your hotels over the next five years?
- 2** What kind of content are these guests looking for – and how do they prefer to consume it?
- 3** What experiences are they looking for, whether travelling for business or for leisure?
- 4** Can you deliver these experiences in one physical hotel under one brand? If not, can you fragment your brand without weakening its power?
- 5** How can you ensure your employees know what your digitally augmented, personalised experience brand stands for and can deliver your brand promise?



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