Hotel Brand Overload:

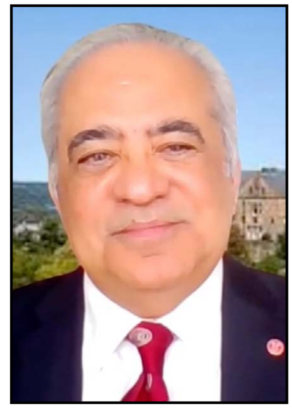
The Coming Shakeout

by Chekitan S. Dev

Summary

The rise of brands has been the dominant trend in the global hotel industry over the past four decades. During this time, many hotel owners sought brand representation, while most brands themselves exited the business of owning or operating hotels. Starting with some three hundred brands at five price points, the hotel chains have repeatedly created brands that subdivided those price points. With brands now numbering over a thousand, hotel owners and guests face a "sea of sameness" among many of the brands in today's markets. In some cases, one brand is only marginally distinguishable from another, and the challenge is to discern the differences. One outcome of this growth is greater bargaining power for independent operators who can use social media to attract guests. Another outcome is a search for additional brand concepts, including lifestyle brands. To continue growing, brands will increasingly have to use technology and also apply research and development to assess their brand concepts. In sum, brands must find a way to differentiate themselves and develop "tribes" of customers who identify with particular brands.

ABOUT THE AUTHOR



Chekitan S. Dev, the Singapore Tourism Distinguished Professor at Cornell University's Nolan School of Hotel Administration, is an internationally renowned scholar and thought leader on marketing and branding in the hospitality, travel, and tourism industries. As an expert witness, he has testified in depositions, at trials, and at arbitration hearings regarding hospitality-related matters, in the United States and internationally, including multiple cases involving hotel owner–brand relationships and the online travel industry.

Professor Dev has consulted on marketing and branding for major corporations. He has more than forty years of experience analyzing an array of issues involving hotels, travel, and tourism. His recent research has focused on how branding and rebranding affect both public perception and profitability in the hospitality industry. In particular, he has assessed key drivers of profitability and customer loyalty, including branding, digital marketing, and consumer service. Professor Dev has also evaluated brand portfolio strategy in the context of hotel mergers.

An award-winning author, Professor Dev has seen his book, *Hospitality Branding* (Cornell University Press), as well as over one hundred articles published in leading academic and practitioner journals, including the *Journal of Marketing*, the *Journal of Marketing Research*, and *Harvard Business Review*. He has coauthored multiple case studies for Harvard Business School, and in 2019 received the overall winner award for best case study from the Case Centre at the Cranfield School of Management (UK). The American Marketing Association recognized Professor Dev and his coauthors as finalists for the Best Service Research Paper of the Year Award for their article "Return on Service Amenities" (*Journal of Marketing Research*, 2017).

Professor Dev is a sought-after commentator on hospitality trends. He has been interviewed numerous times in the mainstream media, and his research has been featured in the *Wall Street Journal*, the *New York Times*, the *Washington Post, The Economist*, and the *International Herald Tribune*, among others. The Hospitality Sales and Marketing Association International (HSMAI) has selected Professor Dev as one of the "Top 25 Most Extraordinary Minds in Hospitality, Travel and Tourism Sales and Marketing."

At Cornell's Peter and Stephanie Nolan School of Hotel Administration, Professor Dev teaches courses on services marketing and brand management.

CHR REPORTS

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The past fifty years have seen a power shift between hotel owners and hotel brands at all levels. When I entered the business in the late 1970s, owners had the power and brands that didn't own their own hotels were begging for business. Today, brands have the power, with owners begging to affiliate. One manifestation of this power shift is the presence of an "area of protection," also known as a "radius clause," in hotel management and franchise agreements. Thirty years ago, the establishment of an area of protection was more the rule than the exception. Today, it is more the exception than the rule.[1]

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1 This report builds on four interviews I have given on the subject: a December 6, 2024 interview in the Wall Street Journal (https://www.wsj.com/lifestyle/travel/hotels-hilton-marriott-ihg-hyatt-accor-6e3f630b), a December 15, 2024 interview in Skift (https://skift.com/2023/12/15/hotel-brand-bloat-a-shakeout-is-coming/), and two hour-long discussions of hospitality branding: an eCornell Keynote podcast streamed on December 12, 2023 that can be viewed in its entirety at https://www.youtube.com/watch?v=QNW6G_2tSYk, and a Hospitality Daily podcast streamed on January 19, 2024 that can be accessed by clicking on https://podcast.hospitalitydaily.com/chekitan-dev-brand/ . I am deeply grateful to Sean O'Neill of Skift for helping me articulate some of the concepts; Nicholas Phillips of eCornell and Josiah Mackenzie of Hospitality Daily for arranging the podcasts and crafting a set of thoughtful questions; to CHR Contributing Editor Glenn Withiam for turning the interview and podcast transcripts into a working draft; to Bill Barnett of WordCraft for his masterful editing of my work; and to Mike Lynn for his helpful comments on an earlier version of this report.

Two factors underlie this power shift—increased room supply, and consolidation of numerous brands under one umbrella. The approximately 10 million hotel rooms that were available in 1990 had grown to about 17 million rooms by 2020. In 1990, most firms held a handful of brands in their portfolios, typically fewer than 10, but today Hilton carries 19 brands, Marriott 32, Accor 43, Hyatt 29, and IHG 19, for a total of 113 brands among the top five firms. While many brands are well conceived and reasonably successful, others are struggling.

In an earlier era, a brand would report its financial ratios by citing occupancy percentage, room rates, and revenue per available room. Those ratios still underlie the brands' success or failure, but the key measurements today are the number of rooms that a brand represents and growth in that number. To give just one example, early in 2024 Marriott reported some of the following outcomes. In that report, its system included 9,000 properties and more than 1.6 million rooms. In 2023 Marriott reported adding a company record 91,000 rooms. As part of its 2023 growth, the company acquired the City Express brand, which added 150 properties and 17,500 rooms. Other publicly held hotel companies can make similar reports to shareholders.

I submit that this power shift from owners to brands has led to brand bloat, brand blurring, and brand burden, reflected in higher fees. As I discuss below, this bumper crop of brands has led to a "sea of sameness" that threatens the viability of existing brands, confusing guests as well as owners. I foresee a battle between brands and hotel owners in the years ahead, with brands demanding stricter adherence to brand standards and owners holding brands accountable for the return on brand investment—a coming shakeout in which some owners and brands will part ways and some brands will go extinct. In this article, I discuss how we got here, where we are, and where we are headed.

How We Got Here: A "Burst of Tiers"

Nearly fifty years ago, the hotel industry witnessed an explosion of new brands created for specific product tiers, introduced by the firm then known as Quality Courts and now known as Choice Hotels. This idea formalized the reality of the industry, because various hotel companies were already operating multiple brands at varying price points. For example, Hyatt originally operated a series of Hyatt House motels, to which the Pritzker family added its high-level, full-service Hyatt Regency–branded hotels. For its part, Quality created the Quality Royale brand (which eventually merged with the Clarion brand), along with its Comfort brand.

Brand tiers have repeatedly been subdivided by concept and price point—and now there are at least 12 of them.

It was not long before other firms created new brand concepts to compete in various parallel product tiers. In the 1980s, brand extensions began proliferating, typically in distinct price tiers. Marriott developed its Courtyard brand extension, for example, and Hilton created its competitive CrestHil brand, which morphed into Hilton Garden Inn. If economic vicissitudes caused one brand to fail, another would take its place—sometimes creating a new product tier. With this rapid expansion, several hundred hotel brands were operating by the turn of the century. Today there are more than a thousand.

The list of brands at each of the big companies is long and getting longer. For example, consider Hyatt's brands: Park Hyatt, Grand Hyatt, Hyatt Regency, Hyatt, Hyatt Vacation Club, Hyatt Place, Hyatt House, Hyatt Studios, Miraval, Alila, Andaz, Thompson, Dream, Hyatt Centric, Caption by Hyatt, The Unbound Collection by Hyatt, Destination by Hyatt, JdV by Hyatt, Impression by Secrets, Hyatt Ziva, Hyatt Zilara, Zoëtry Wellness & Spa Resorts, Secrets Resorts & Spas, Breathless Resorts & Spas, Dreams Resorts & Spas, Hyatt Vivid Hotels & Resorts, and Alua. Even I have trouble figuring out which brands offer which experiences.

Driving the "burst of tiers" was, in part, the property owners' economic advantage over the brands at the time. Brands were seeking owners with which to affiliate, but those brands often were also hotel operators. Today brands provide their names through arrangements with owners and operators. Clearly, the concept of brand tiers has survived to the present day, although tiers have repeatedly been subdivided by concept and price point.

The hotel brandscape has today become a zero-sum game.

With brand tiers we can think about how the industry is organized and how competitors regard each other. In 1990, the three hundred brands I mentioned were organized into five tiers that corresponded roughly to amenity levels. Brands were thought of as budget, economy, midscale, upscale, or luxury, in a manner akin to the 1- to 5-star system used around the world. On average there would have been about sixty brands per tier (although there were undoubtedly a greater number of concepts with low price points).

The Problem with Brand Proliferation: A Confusing Sea of Sameness

Even with all this expansion, the brand coverage ratio has held relatively steady worldwide over the past three decades. The ratio of branded hotel rooms to brands provides a useful way of thinking about brand proliferation. In 1990, for example, with a total of ten million hotel rooms worldwide, about 20 percent of all rooms, or about two million rooms, were branded by one of about three hundred brands, yielding a brand coverage ratio of 6,666 branded hotel rooms per brand. In 2020, with some seventeen million hotel rooms worldwide, about 40 percent of all rooms or about seven million rooms, were branded by one of a thousand brands, yielding a brand coverage ratio of 6,800 branded hotel rooms per brand. This means that the ratio has remained fairly constant, and by this measure, the problem doesn't seem to be too many brands.[2] Instead, the issue is the confusing "sea of sameness" that I just mentioned: too many brands that look and feel like many other brands.

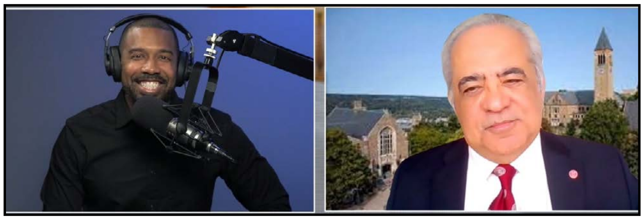
Where we are now. Flash forward to the 2020s, and the original five main brand tiers have been subdivided into roughly twelve tiers comprising ever-narrower slices, again generally sorted by amenity levels or price points, but also by brand concept. These concepts now sort into hard budget, budget, upper budget, economy, upper economy, lower midscale, midscale, upper midscale, upscale, upper upscale, luxury, and uber luxury. This "vertical" segmentation of the market is complicated by "horizontal" segmentation of hotel brands in terms of classic, contemporary, and boutique.

Having over a thousand brands fighting for shelf space (about eighty brands per tier on average) creates a crowded and confusing marketplace. Although the original concept of product tiers was meant to create a competitive lane for a particular brand, it is inevitable that brands, even some within the same firm, are stepping into each other's lanes. For example, if we consider just the full-service Marriott brands, I have trouble differentiating between Marriott, Sheraton, and Le Meridien.

In the course of writing this report, I communicated with a former senior global hotel company executive (who declined to be identified). They shared the following insights (lightly edited), which resonated with me. All of this I can corroborate with my own knowledge of this subject but would not have thought of including this in my report had this person not drawn my attention to these truths about the branded hotel business.

> *Marriott is not alone in the struggle to build and maintain distinct and meaningful brands. Other iconic hospitality brands, including Hilton, Hyatt, and even Four Seasons are all part of the race to win total key count globally. As part of that comes the challenge of what and how much brand essence (e.g., service, programming, design, overall experience) is mandatory and something to be negotiated at deal signing. Those rarified and iconic, vertically integrated brands such as Oberoi, Aman, Belmond, One&Only, and other up-and-coming brand-driven boutique brands still strive to be rigorous about the overall brand experience. But they too are under pressure by potential owners merely wanting the brand on the side of their building, as well as gaining access to the reservation system and loyalty program. They are less interested in all the things that were strategically developed by the brand creators that make the brand unique, special, and desired—and thus able to garner the rates that they do. As these owner entities become larger*

[2] I thank Mike Redlin for suggesting this formulation of the brand coverage ratio.



The power shift from owners to brands has led to brand bloat, brand blurring, and brand burden, reflected in higher fees. –Conversation with Nicholas Phillips, eCornell producer

> *and more powerful, they are rarely interested in one or two hotels, rather many all around the world. Today, there is even more pressure to allow owners to marginalize brands, as not allowing such would jeopardize a much bigger deal. Brand erosion is unfortunately a by-product of growth.*

A recent article corroborated this viewpoint by exposing how successful developers are able to negotiate brand standards with established brands.[3]

Necessary resources. One challenge in managing large brand portfolios involves providing every brand in a portfolio with sufficient resources and capabilities to thrive. Beyond the question of resources, brands must worry about "poaching" ideas within a brand family. Several former students have explained that they must guard against a sibling brand that might steal their innovative ideas. With such a crowded field, it's challenging both to obtain resources for your brand and to ensure that you're allowed to swim within your lane with your own unique resources. I have observed that trouble ensues when these issues are not properly addressed. For example, one lawsuit in which I served as an expert witness was based on a brand's deciding to support another hotel in direct competition with an existing owner. That brand lost the case. I review similar issues later in this discussion.

An example illustrating how brand consolidation enhances market power is Marriott's acquisition of Starwood, the subject of a Harvard Business School case study I co-authored.[4] When researching the merger, I learned from a former top Marriott executive who was familiar with the merger that their official message to regulators was that the merger would not be anti-competitive to significantly affect the market structure of the lodging industry or consumer welfare. To make their case Airbnb's seven million listings were bundled into total lodging inventory to show the regulators in the U.S. and Europe that the combined companies would represent only a small part of the lodging industry worldwide.

Once the merger closed, current and prospective hotel owners were told that the market power held by the consolidated entity would enable them to charge higher room rates, would generate savings on online travel agent (OTA) commissions, and would trim supply costs due to the merged entity's stronger buying power—with an overall outcome of higher profits. However, one consequence of the merger is that owners now have diminished bargaining power if they hope to fly one of Marriott's 32 flags, as they can no longer pit Marriott against Starwood when negotiating brand affiliations.

Countering this power shift toward brand consolidations are organized owner groups like AAHOA, the Asian American Hotel Owners Association, which represents tens of thousands of hotel owners and has recently voiced vigorous opposition to the Wyndham–Choice merger, arguing that the combined entity will have inordinate and anti-competitive power over their franchisees and cannibalize owner revenues. We see another countertrend in "debranding," where branded hotels go their own way as independents, enabled by social media and online reviews, helping them build their own businesses.

The Shifting Brandscape

The hospitality "brandscape" has for some time been undergoing a shakeout, creating ample opportunities for brands to better define themselves. Consider the following examples. Sonesta recently reawakened and has acquired several brands as it seeks greater recognition by repositioning itself to a better sweet spot in the market. Hyatt Place is becoming more homelike and merging with adjacent brands to build market

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[3] https://skift.com/2024/01/29/how-to-run-a-7-5-billion-luxury-hotel-portfolio-inside-gencoms-strategy/?utm_campaign=New%20Daily%20Newsletter&utm_medium=email&_hsmi=291809052&_hsenc=p2ANqtz-9L7e7hSReVQLmWQJmlJmAoIgeIO8fkqhDy-at1J8kZCKlMLbH_RgVLBwdhfcqrxMlWCsI1XBfrczdCFEkQSBKaSOEwKaA&utm_content=291809052&utm_source=hs_email

[4] Avery, Jill, Chekitan S. Dev, and Laure Mougeot Stroock (2018), "The Marriott-Starwood Merger: Navigating Brand Portfolio Strategy and Brand Architecture," *Harvard Business School Case 518-081.*

power. A good example of dealing with "brand bloat" was Accor's phasing out of All Seasons hotels (rebranding them to Ibis Styles) and phasing out Etap hotels (rebranding them to Ibis Budget), thereby eliminating two brands and creating a megabrand. Similarly, IHG phased out Holiday Inn Select by offering owners the choice of rebranding to Holiday Inn or Crowne Plaza, and created new brands such as EVEN, with a mid-scale wellness position for which white space existed in ever-smaller niche markets. I expect this trend to continue.

In my estimation, the hotel brandscape today is becoming a zero-sum game. Indeed, many brands' plans include conversions making up more than 50 percent of their growth portfolios. For example, when Hilton announced Spark, they made it clear that Spark is a conversion brand—from either another brand or from independent status. Indeed, numerous brands regard conversions as a key to growth. Many of these new brands constitute little more than a logo, and they shortchange hotel owners by not protecting their trading areas sufficiently. Suppose a new brand is seeking conversions. Hotel brands must suddenly worry about who else is in the marketplace, how their business will be affected, and whether they might be spreading brand resources too thinly.

Building lifestyles. Lifestyle branding has animated conversations about hotel branding over the last several years. W is a good example of a brand that has worked to embed itself in guests' lifestyles, not only with stylish amenities and services at each hotel but also with items guests can purchase to live the W life at home. The rise of the millennial generation plays into this trend, powered by social media sites like Instagram and TikTok. Millennials love lifestyle brands, especially those that express unique points of view. Turning an otherwise bland, boxy, and boring hotel into a lifestyle-branded hotel attracts millennials who want a little more, because lifestyle brands are well-suited to and sometimes birthed by social media. AC and Moxy from Marriott are examples of affordably priced lifestyle brands that seem to be gaining market share because they appeal to millennials. Facing a crowded and brutally competitive market, some hotel brands (e.g., Marriott) have co-branded with lifestyle brands (e.g., Bulgari) to give them that extra oomph to stand out from the crowd.

Global phenomenon. So, the question remains: Why are hotel companies creating so many brands? One answer is, because they can. The longer answer is that hotel industry branding is a global phenomenon and, to compete successfully, hotel companies feel compelled to match their competitors' penchant for brand bloat. Brands are expanding principally to match the customer desire for predictable and consistent products and service experiences, but also to leverage economies of scale in advertising, distribution, and market power when negotiating with buyers.

"Debranding" is a growing countertrend, where owners use social media to go their own way.

Today, however, too many hotel brands exist without a compelling or defensible point of view. After all, there's little incentive for a brand owner to phase out a brand. To the contrary, it benefits a brand owner to create additional brands, as each brand represents a stream of fee income. Unlike phasing out an obsolete cellphone or discontinuing production of an unpopular sneaker model, killing off a hotel brand can be legally fraught and logistically messy. Brands have to learn to fail fast and fail smart. As a consequence, brands must always prepare to tweak their post-launch strategies. The most successful brands can pivot smoothly with market changes; the ones that fail aren't set up to do so. That means encoding flexibility into the brand's DNA, from the start, with the knowledge and cooperation of all stakeholders.

The value question. There isn't a single hotel brand on Interbrand's recently published list of 100 Most Valuable Brands. Disney is the only "MVP" brand on this list that is connected to the hospitality industry. Even if (many) hotels can offer some of the most immersive and memorable experiences out there, boasting team members who go out of their way to provide excellent service, hotel industry brands still get overtaken by investment banks, razor blades, and diapers

The hotel owner, not the guest, has become the primary customer for hotel firms.

when it comes to brand value. This raises the question of whether the brand proliferation that has occurred over the past few years is finally catching up to the hotel industry.[5]

Over the past thirty years most hotel firms have become asset-light—that is, they neither own nor operate hotels but just brand or flag them. Each brand represents a stream of income for the company. In this evolution, the hotel owner, not the guest, is the primary customer for hotel firms. To grow, a brand's firm must either sign up more owners for each of its existing brands or else create more brands. Sometimes, a brand's expansion can damage existing franchisees. A lawsuit in which I was involved recently was filed in response to a brand's creating an extension without honoring the rights of an existing owner whose brand rights were usurped by this new extension.

On the demand side, hotel-brand proliferation is (and should be) driven by unserved or underserved markets, such as wellness (e.g., EVEN hotels by IHG), sustainable luxury (1 hotels, created by Starwood Capital's SH Hotel & Resorts), and high-tech self-service (Flyzoo hotels by Alibaba). On the supply side, the rapid proliferation of brands is driven in part by a trend whereby brands give up their market rights to owners in certain geographic locations (via radius clauses or area-of-protection agreements).

As a workaround, global hotel groups sometimes try to penetrate local markets by introducing new brands or additional existing brands. This compulsion to create new brands sometimes goes a little bit off the rails. A case in point (mentioned briefly above) involved KMS, the owner of the Ritz-Carlton Bali Resort and Spa. This owner had signed a contract with Ritz-Carlton, wherein Ritz-Carlton agreed not to compete with or assist the competitors of a potentially competing property within the Ritz-Carlton Bali's market. Nevertheless, Marriott launched a new brand in Bali, Bulgari Hotels and Resorts. KMS sued Marriott for its end run around the management agreement, and a jury agreed, awarding KMS $10 million in punitive damages.

Not all contracts give owners such strong legal rights. Where owners and brands have signed agreements that include area-of-protection or radius clauses, launching additional brands or soft brands can sometimes enable large hotel groups to expand into markets where they already have some presence.

Where We Are Headed: The Coming Shakeout

In the forty-plus years I have spent studying hotel brands, I have learned that the key prerequisites an owner should consider in picking the right brand involve the following three major issues: **(1)** the fit between the market opportunity and the brand position; **(2)** a well-thought-out brand strategy and excellent record of performance; and **(3)** an agreement specifying the ongoing support the brand will provide. On the following pages, I address some of these topics.

New markets. New market areas can create openings for new brands, especially where some segments are either underserved or overserved. Several years ago, a study of mine showed that demand for hotel rooms at a particular destination roughly follows a normal distribution—a bell curve with some customers at the low end, some at the high end, and many in the middle. In contrast, the supply at that time formed a sort of U-shape, with many at the low end, many at the high end, and just a few in the middle. Unexpectedly, the middle was the underserved segment in some markets.

Brand extensions. The creation of Courtyard by Marriott was, at the time, a textbook example of the use of state-of-the-art knowledge and quantitative tools to create a new brand. Marriott used conjoint analysis and put considerable effort into devising a well-designed brand extension in the mid-market space.[6] Other

5 https://jingdaily.com/posts/interbrands-top-100-hospitality-luxury

6 Conjoint analysis is a type of consumer research in which participants reveal their product preferences by ranking various attributes of an item or service.

brands that followed failed to apply such due diligence, and we see gaps everywhere at that brand level. Those that did proceed thoughtfully have done well.

Some years ago, a study McKinsey conducted for Ralph Lauren showed that they could easily extend their brands (then known mostly for apparel, perfume, and home goods) to hotels. I've since observed luxury lifestyle brands such as Bulgari, Armani, Versace, and Cerruti all opening hotels, albeit with mixed success.

Thus, luxury lifestyle brands have come to realize that running a hotel well is not easy, and a bad hotel could easily damage a brand. This creates a sort of counterpoint: I see this trend continuing but I also see many casualties along the way. Companies will have opportunities to conduct systematic and scientific analyses and think about how their authenticity translates to other product categories. This is a helpful first step in determining whether in fact a new brand will somehow convey the authenticity of the core brand.

Research and development. The trend in research and development means that hotel brands have to up their games just as lifestyle brands are making inroads into the legacy hotel business and play the lifestyle branding game. They need to be more savvy when offering products and services that envelop their guests both while they're in-house and when they're not. At the same time, brands must also retain their authenticity.

R&D innovation poses a dilemma as it pertains to hotel brands. Owners prefer a cookie-cutter hotel that can transition from one brand to another without a significant property-improvement plan, whereas brand managers want unique hotels that do not look or feel like any other. That is a source of tension.

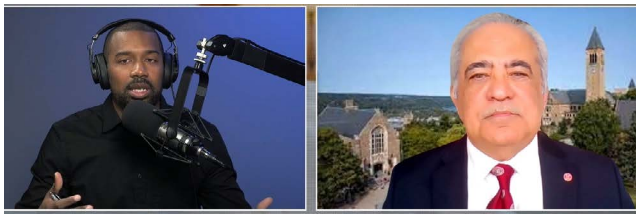
Bearing in mind that brands' customers are owners, smart brands finesse this tension by having standard physical structures and hardware, but distinct systems, processes, cultures, and software. Four Seasons and Oberoi are good examples. The owner must foot the bill, so brands have to convince owners to invest in R&D by showing the payoff from such investments.

Sometimes, the pressure to conduct R&D forces brands to consider stealing intellectual property. I served as an expert in a case where Starwood sued Hilton for corporate espionage when Starwood discovered that Hilton executives had taken hundreds of thousands of documents pertaining to W to help Hilton create a lifestyle brand. Starwood won the case and the courts prohibited Hilton from launching such a lifestyle brand for two years after that.[7] Brands can truly move ahead of the market through innovation. Many companies have created innovation labs to determine how my tomorrow can be better than my yesterday. The next step is for brands to create an R&D function at the property level.

Luxury lifestyle brands have come to realize that running a hotel well is not always easy.

Brand revitalization. Brand upgrades or renovations can either crush a hotel or help it reposition itself into a more desirable sweet spot. This can be another source of tension between an owner and a brand. Typically, the brand wants to add costly bells and whistles to the hotel in the belief that this will attract more consumers. On that view, more is better. On the other hand, hotel owners want to minimize costs to boost profits, so less might be better. The key is for the brand to test an upgrade, improvement, or innovation to determine the potential payoff to the owner. My own research has shown that certain amenities create value for brands and owners, while others are simply expen-

7 https://www.travelweekly.com/Travel-News/Hotel-News/Hilton-and-Starwood-settle-corporate-espionage-case#:~:text=Starwood%20sued%20Hilton%20in%20April,including%20the%20popular%20W%20brand.



Brand upgrades can either crush a hotel or help it reposition itself. –Conversation with Nicholas Phillips, eCornell producer

sive indulgences that end up destroying an owner's bottom line.

Brand standards. Brands can stand out in an especially crowded and lucrative lane in part by conducting surgical analyses of features currently on offer, features that could be offered, and features the brand shouldn't offer. For example, when Virgin hotels decided to enter the four-star market in the U.S., their research found numerous pain points that customers were experiencing in that four-star tier. They designed a package of amenities and procedures that removed many of the old pain points and addressed ways to smooth out potential new pain points, considering such simple things as the locations of outlets and charging stations, novel and amusing amenities in the room, and doing away with most extras on a bill. Such an analysis can also occur at the affordable end of the market. Consider citizenM, a self-professed "affordable luxury" brand, which identified which features current economy brands were offering that were either obsolete or no longer relevant and then determined what new ideas the brand could offer to appeal to that market. This is a challenge for every brand in every tier—to understand what customers are asking or looking for.

When guests arrive at a hotel and ask, "What's new?," they really want to know what a hotel has done to improve their pleasure coefficient or to reduce the pain coefficient they experienced on a prior visit. Here are three ideas with which to address this issue. First, brands seeking relevance should look at their own customers to find out what they truly value. It's not uncommon for a brand to take cues from what customers are doing in their homes that might be key to a hotel's amenities and services. For example, my three favorite amenities are the ability to log into my personal streaming platforms from my in-room TV, a complimentary hot pot to boil water for tea, and complimentary humidifiers to offset the dryness typical of hotel rooms, including a steam unit in the shower. Second, brands should observe competitors to see who is doing what and to keep abreast of comparative trends. Third, brands should also observe disruptors, such as "non-hotel brands" that enter a given space and try to disrupt the market (e.g., Airbnb or Sonder). Sometimes those disruptors have ideas that might be worth examining. My mantra to hotel general managers: You must innovate, but if you can't innovate at least try to improve through imitation. And when you imitate, do it better!

Building new brands. Building new brands is challenging. The outcomes are mixed, depending on the details a brand considers in assessing its guests' experience when rebuilding the brand. Developing a successful brand can be expensive and time-consuming. The time needed to create a brand depends on the situation. If a brand is being created in a lucrative but otherwise crowded space, finding an opening by locating an unserved or underserved market takes time. On the other hand, finding something that represents a completely new white space makes the experience entirely different. In either case, a brand should be careful when forecasting the future. Identifying a current gap might be more effective. For example, I asked ChatGPT to create a hotel brand for millennials. ChatGPT's capacity to see the future is limited, but it was able to identify a potentially viable current brand idea, namely, creating an eco-luxury brand.

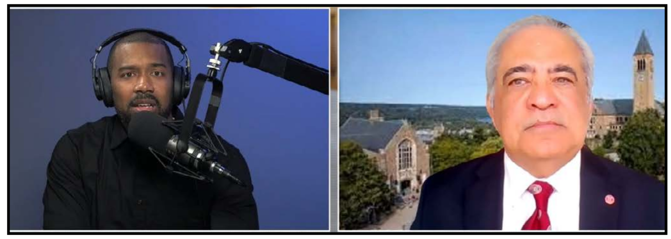
The point here is that, while technology keeps advancing, the knowledge base keeps growing. Technology makes things increasingly easier so we can rely on it to do some of the heavy lifting. Nevertheless, developing a brand remains a time-consuming and expensive process, as much an art as a science. It could cost tens or maybe hundreds of millions of dollars to create a viable new key brand. But sometimes a light bulb just turns on. For example, the Holiday Inn Express brand, a pared-down extension of the "core" Holiday Inn brand, has been among the fastest growing brands in the history of the lodging business.

Rebranding. Rebranding can be as challenging as building new brands. Rebranding tactics range widely, from simply creating a new logo to completely updating a brand. When two colleagues and I studied this issue, we found: **(1)** rebranding is common; and **(2)** rebranding often pays, but sometimes it costs a hotel too much money. We found that converting from Brand A to Brand B can increase a hotel's top and bottom lines in the right situation, but in other instances conversion can diminish both.

Ironically, even with so many brands, hotel owners may perform better if they rebrand as independents. Indeed, there is no better time for independent hotels, because they can use the social media tools and other internet sites to replace brand promotion. Recent research shows that, once an independent hotel achieves the critical mass of receiving a certain number of reviews, the chain advantage vanishes. I offer the following observation: when branded hotels become independent, they do indeed lose occupancy, but they gain in ADR. While they typically lose about 6 percent of RevPAR, they net out with a similar bottom line. Plus, there are many tools available to enable independents to thrive. For example, Expedia allows independent hotels to offer multilingual websites and currency conversions. So, at some point, I see the tide turning, with branded hotels increasingly converting to independents.

One outcome of all this rebranding is confusion for customers. They may find that what they thought was "their hotel" with a particular brand name in a particular location may be sporting a new name, together with new amenities and different services. Owners have to carefully analyze the effects of converting on customer loyalty, especially given the investments required. At some point, the brands will have created a too-crowded market space. For the customer, this means a more confusing sea of sameness, with greater market turbulence, with more brands all fighting for shelf space, and with more brands shouting a little louder and more frequently in a crowded marketplace. New brand flags will appear on established properties and customers will have to figure out which brand belongs to which brand family and which loyalty program.

Drive by data. Most data that inform brand development come from consulting companies that offer reports on multiple markets and suggest where brands can find opportunities. Again, an opportunity may involve a new brand, or it may involve taking a brand into a new space. An example of one such report, written in 2013, covered Miami for HVS, where the company predicted that Miami would be the next major gateway city.[8] Lo and behold, I was in Miami Beach not long ago and noticed many luxury brands arising almost simultaneously—including Bulgari, Aman, Rosewood, and Ritz-Carlton.



One outcome of the rebranding wave is confusion for customers.
–Conversation with Nicholas Phillips, eCornell producer

Developing reports can also involve custom work. You can tell researchers: "I'm looking to create a brand in this particular space" or "I'm just looking at the whole market; tell me where the white spaces are." There are also consulting companies outside the hospitality business that can provide helpful information. I mentioned the Ralph Lauren study where they said, "You know, we're in apparel, we're in perfumes, and we're in home goods. We need another category." I believe the McKinsey study I mentioned told them that the next best thing would be a hotel concept. This was a well-researched assessment.

Smart brands analyze multiple stakeholders and carefully consider all the elements when designing either a brand improvement or a new brand. Although guests and owners must be considered, it's critical to include employees in such deliberations. For example, I wrote a case study for the Harvard Business School on Westin's transition from a product-oriented brand (including the successful Heavenly Bed and Heavenly Spa) to a largely service-experience-oriented brand.[9]

8 https://www.hospitalitynet.org/file/152005190.pdf

9 Frances X. Frei, Chekitan S. Dev, and Laure Mougeot Stroock, "Westin Hotels and Resorts: Operations of a Lifestyle Experience," Harvard Business School, May 2007, https://hbsp.harvard.edu/product/607129-PDF-ENG

Brands that will succeed will invest in research and development to boost innovation.

They are working on engaging all five senses with multisensory branding. They pay attention to the sounds, sights, touch, tastes, and smells within the brand.

Involving employees. In the end, it's the employees who deliver a brand. For this reason, the brand must involve its people at all levels to ensure that a concept is not only properly conceived but can be successfully implemented. Involving employees in the creation of a brand ahead of time is critical. Failure to do so can cause a breakdown. When many of the boutique hotel brands were created, for example, they looked and felt great. When guests came, they found good-looking, smartly dressed, design-forward employees and hotel spaces. But many brands just didn't work, often because the creators failed to consider how the brand would be executed, failed to consider the customer journey, or failed to consider the extent to which the customer journey would be fulfilled.

Technology. My perspective on the business over the past 45 years leads me to predict that we're essentially moving from a high-touch model that included technology to a high-tech model that includes touch when needed. For instance, consider the Flyzoo concept I mentioned earlier. The Flyzoo prototype has been developed next to Alibaba's headquarters. This concept is based almost entirely on technology, with artificial intelligence and machine learning, the use of biometrics, and self-service using high-tech robots. Clearly there is ample opportunity for high-tech journeys at the low and middle ends of the market, for both business and leisure customers. Opportunities to extend high-touch will always exist in the upper end but, as I often say, if you are able to do so, take some routine activities and transfer them to high-tech. That frees employees to handle urgent, nonroutine problems.

Existing brands—even high-end brands—can adopt this approach as well. Not long ago, I checked into The Breakers Palm Beach, one of my favorite hotels. I was told that I could use my app digitally to request service twenty-four hours a day. I could send a message on my app as opposed to picking up a house phone or talking to an employee. For me, that was the perfect solution. If it was really an important or complicated issue, I could corral an employee, but for a routine issue I could use the technology.

New customers, new ideas. Considering the market worldwide, many customers coming into the travel space represent new generations and new geographies. Consumers in these emerging markets are just starting out in the work world and they need a brand that's accessible and affordable. I see this as a promising opportunity at the "base of the pyramid." To take one example, I recently noticed an announcement by a major company that was planning to create Japanese-style pod or capsule hotels such as those found mostly in train stations. In these units, you literally have just enough space to lie down on a bunk with limited locker space and a shared bathroom.[10] Their current plan is to open in the U.K. market. While pod hotels may not catch on all over the world, such low-cost innovations create opportunities for young professionals when they are patronizing the lodging market. Over time, as their income and savings grow and they advance in their careers they can afford mid-level or upper-level brands. At the top end of the market, an emerging brand is Postcard Resorts in India, which offers non-standard services such as check-in anytime, breakfast anytime, and carefully curated local culinary experiences and excursions.[11]

As I have shown, brand overload is real. Nevertheless, certain foundational principles of brand success remain unchanged. I have created an acronym using the word *brand* to describe the five pillars of any great brand. I suggest that a brand must be bold, relevant, authentic, novel, and distinct:

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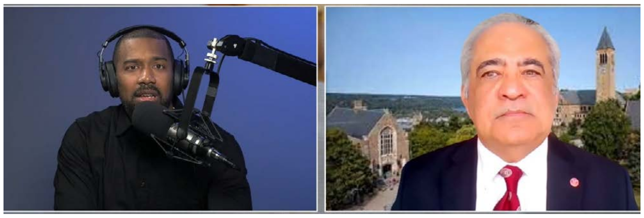
10 https://en.wikipedia.org/wiki/Capsule_hotel

11 https://www.postcardresorts.com/



A brand must be Bold, Relevant, Authentic, Novel, and Distinct.—Conversation with Nicholas Phillips, eCornell producer

- **B**OLD—A bold brand has the courage to stake out a meaningful, progressive, and sustainable point of view. Think 1 Hotels.
- **R**ELEVANT—A relevant brand is obsessed with creating value for its customers and other stakeholders by being useful, easy to use, and innovative. Think Virgin Hotels.
- **A**UTHENTIC—An authentic brand is true to its core competence, transparent in its actions, and responsive to its stakeholders. Think Ace.
- **N**OVEL—A novel brand is new, fresh, and disruptive. Think citizenM.
- **D**ISTINCT—A distinct brand is different, unique, and either operates in a category by itself or creates a new category. Think FlyZoo by Alibaba.

If you can achieve these five brand pillars or brand elements you're on your way to success.

Where We Are Headed: Differentiate or Die

In summary, although I see a crowded market with a vast sea of similar brands, the application of technology and research can spark a new approach to hotel branding. Just as the "burst of tiers" shook up the industry in the 1980s, so can fresh thinking and experimentation do so today. Some brands will fall by the wayside. Technology will change distribution channels, such that existing OTAs will likely be surpassed by social media sites (notably, Amazon, Facebook, Google, and TikTok).

The best brands will not attempt to be all things to all people—thereby avoiding becoming everyone's second choice. Instead, they will authentically be something to some people. Historically, brands that have been successful have found their tribes: carefully defined sets of customers whose problems the brands can uniquely solve wherever and whenever guests need them solved. Aman found (and lost) a tribe, citizenM has found a tribe, Ace has found a tribe, and FlyZoo is finding a tribe. Ultimately, the key to success for any brand is finding a meaningful, scalable, sustainable, defensible, and profitable market position. The route to success for owners and brand managers alike follows a simple but powerful formula: differentiation equals premium. A premium has to be earned from your customers; it won't be given. And a premium equals profit, a higher top line for brand managers' fees and a better bottom line for owners' bank accounts.

Going forward, I predict a tsunami of lawsuits pitting hotel owners against brands for failing to maintain a basic and essential "standard of care" when creating, managing, and maximizing brand value—unless brand managers become much smarter about managing their brands and brand portfolios, as well as their relationships with hotel owners. ■

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