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EXTRACT FROM HOTELS 2020 WITH UAE INSIGHTS

Brand matters: *winning the battle for relevance*





Brand matters: winning the battle for relevance

As consumers use online intermediaries to find the most economical rooms in a convenient location 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) such as Expedia and Booking.com, or meta-search engines such as Trivago and Kayak to find a good deal whilst reviewing other consumers' feedback. As a result, convenience and price are overtaking brand recognition as the driving forces behind leisure guests' booking decisions. Hotel brands are becoming less visible given the increased access to real insights and information via digital.

“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.

Whilst most business travellers do not make their own bookings, reinforcing the brand is important as their preferences will influence the decisions of commercial bookers. However, this trend will soon change with digital becoming the leading frontier to arrange any form of travel. In the United Arab Emirates (UAE) which has a population of just over 9 million, statistics have shown that over 8.81 million people access the internet (almost 92%)⁴. This further illustrates the sheer scale of individuals that have access to OTAs in the UAE which continues to change the way in which the guests of tomorrow

1 'Hotels – UK,' Mintel Group Ltd, October 2014
2 'The world's most valuable brands,' Forbes, 2014
3 'Hotels – UK,' Mintel Group Ltd, October 2014
4 UAE Internet Social & Mobile Statistics 2015 Infographics

48%

of guests will not visit the hotel's website before arrival¹

0

Number of hotel groups in Forbes' 2014 list of the world's 100 most valuable brands²

79%

guests see price as a key factor when choosing a hotel³



organize their travel. Historically, brand loyal travelers would book a particular hotel only taking into consideration their previous experience, however the shift has now meant that they also seek reviews and insights from likeminded travellers, who may alter their perceptions and thus fragment the brand and diminish the notion of remaining brand loyal.

New touchpoints

According to a Mintel study in 2014², 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."

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. On the contrary, if this is managed effectively the service rectification can do wonders for a brand as the visibility of such is increased. With this in mind, brands such as Jumeirah have hired specialized social media staff to manage their digital reputation, which with a touch of a button can be tarnished by an unsatisfied customer if it goes unanswered.

Some hotels are using digital to support their branding and to further promote customer loyalty. This is most notable among 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' and in the UAE, Jumeirah produce the 'Jumeirah' magazine widening the reach to communicate their offering via other targeted channels. As guests share this content on social media, they are making the hotel brand stronger as they increase brand awareness.



“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 which will aid them in distinguishing their brand from the rest. Hoteliers operating in a fragmented market must seek growth and look at innovative solutions to further aid growth.

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

28%

of business travellers are influenced by a hotel's proximity to their meeting⁵

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

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 bathrooms⁶. 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.”

In the Middle East, Hospitality Management Holdings have launched the first alcohol free and halal friendly hotel in the Middle East. The company announced that this was part of their ‘DNA’ and not merely a business decision. It has been reported that the global Muslim travel market was worth \$140bn in 2013 (excluding Hajj and Umrah, which alone is worth \$16bn) and is set to continue growing, with it predicted to be valued at \$238 billion by 2019⁷. The niche of such offering is clearly evident, as the Muslim travel market continues to grow, the brands which can become relevant and offer a tailored service to these travelers will continue to stand out.

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 but also offers an element of distinction which aims to convert the business traveler to visit as a leisure traveler (should the hotelier be targeting both groups).

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.

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 the needs that hotels are currently not matching.”

6 ‘Plenty more space in the closet’, Economist, January 2015

7 ‘Leap of faith: the growth of Halal tourism’, Arabian Business

8 ‘Rove Hotels, Dubai’s smart new hotel brand for the modern traveler to roll out in 10 central locations by 2020’, Emaar Hospitality online

9 ‘Jumeirah launches new contemporary lifestyle brand: Venu’, Jumeirah

In the UAE, brands such as Jumeirah and Emaar Hospitality are also targeting differing socioeconomic groups and aiming to bridge the mid-market gap by introducing lifestyle brands. Emaar Hospitality is introducing Rove which they say is “for the young and young at heart – defining a new niche in the hospitality sector offering reliable, modern, fuss-free, efficient and stable service⁸.”

Jumeirah are launching a new contemporary lifestyle brand called ‘Venu’ which is said to be “designed to appeal to the modern traveller whose expectations revolve around their own lifestyle – clean, contemporary, cool and effortless⁹.”

“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

As the leisure & hospitality sector continues to be a key sector for the UAE with the Expo 2020 set to come to Dubai, the sector is rife with opportunity. However, with opportunity comes an increase in demand which often results in an increase in supply, often leading to saturation. As guests of tomorrow look to OTA’s and fellow customer reviews, hoteliers must ensure their brand remains relevant in a increasingly competitive market. With the introduction of lifestyle brands, hoteliers are able to clearly define their offering and focus on a segmented clientele. The brands who get it right not only in terms of presence but on digital too, will become brands of choice in the future.”

Hisham Farouk

CEO, Grant Thornton UAE





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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hisham.farouk@ae.gt.com

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