HOTELS
PASSION FOR HOSPITALITY

OWNER EQUITY BY CHAD CRANDELL
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Brand proliferation … or obliteration?

(The views and opinions expressed in this blog are strictly those of the author.)

Thirty years ago, I did more feasibility studies than I can remember. I recall the great satisfaction derived from helping prospective hotel owners through the process, from picking a site to creating a destination that was as appealing to guests as it was to investors.

I admit, I enjoyed the analysis of feasibility, which back then was based on good old fashioned research (no Google), speaking one-on-one with demand generators and existing supply to quantify a) if there was room for another hotel; and if so, b) what product would best suit market demand and meet investor objectives.

Back then, choosing a brand was the epicenter of feasibility analysis. Determining which brand would optimally position a hotel for accommodating room night demand (and, god love the '80s, actually inducing demand, a concept I would argue is long gone) was a process that started with market segmentation. What is the profile of demand and how best is it captured? Then we chose a brand that could do just that.

Today, the goals are the same, but the landscape is quite different. When it comes to choosing a brand, often the first question is "what's left?" Rather than looking at contribution by the brand for similar hotels, we now focus on where hotels will be listed on the website based on how many other properties are in the same market. We evaluate whether regional group sales offices will be able to effectively book group based on how many other properties are in their territory and where ours will fall in the ranks. We discuss “share shifting” as opposed to generating new demand. We assess the capital needs of a hotel based on brand requirements. We now have multiple hotels from the same brand family in our competitive sets.

Brands no longer fit neatly into buckets, nor are they explained easily in terms of how exactly they differentiate from one another. Today we need infographics and new categories to convey some logical order and explanation of brands, even within the same brand company. We see multiple brands emerge each year, yet we rarely see a brand retired, and there are a few that clearly have one foot in the grave. In my shop, we have been thinking about the proliferation of brands, and the one question that keeps surfacing is: Who does today’s brand segmentation serve?

Well, we know it serves brands, and by extension their stockholders, as a vehicle for growth, enabling expansion in otherwise saturated markets. New brands also allow brand companies to keep pace with market trends and present a fresh, relevant face.

How about guests? I suppose that as members of loyalty programs, guests can appreciate having infinitely more options for redeeming their points. We know people like choices, but who does this massive segmentation really serve?

Lastly, the owner. The owner of the real estate. The owner who invested in a hotel and chose a brand to meet investment objectives. The owner who now competes with the hotel next door because they are part of the same distribution system. The owner who has watched price become the most visible point of differentiation. The owner who reinvests in the property to meet brand standards absent proven ROI. The owner who is married to its brand for 25-plus years. The owner who is the only one looking out for their own best interest, and must fight for it every single day.

Who does today’s brand segmentation serve?

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