

**BRANDING AND MARKET SEGMENTATION WITHIN THE INTERNATIONAL  
HOSPITALITY INDUSTRY**

**by**

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## **DEDICATION**

This thesis is specially dedicated to my parents, as well as the State Scholarships Foundation of Hellas (S.S.F.), whose encouragement, friendship and economic support, respectively, kept me advancing towards this goal.

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## **ABSTRACT**

In this thesis, the main trends for segmentation and the increasing use of branding within the international hospitality industry during the past decade, are investigated by focusing specifically on some major hotel chain cases world-wide, which are currently implementing the concept of branding in order to position their products, achieve product differentiation and specific image to appeal to their target market segments.

Taking into consideration the advantages that a segmented approach to marketing can bring to a hotel firm and the fact that segmentation can provide the key to profitable marketing in competitive markets, this thesis will also analyse the criteria and the needs for brand segmentation as well as the comparisons between consumer product brands and hotel product brands, since branding is a concept which has been recently transferred from consumer goods to the hotel sector. Special features of hotel brands as well as their advantages and limitations are thus considered, concentrating specifically on the structure, operation and branding policies for wider expansion and economic growth. The two main types of hotel brands are also identified, the soft hotel brands and the harder hotel brands, demonstrating the differences as well as the minimum and maximum conditions in order to classify each hotel brand respectively.

Further discussion regarding the emergence of branding in the UK and European hotel industry is followed by case studies. Cases of developing new forms of tourism especially in the Asian countries are also presented, which illustrate the uses of branding by certain companies operating world-wide.

The most important market segments that seem to emerge nowadays in the hotel sector and play an increasingly significant role for the development of the hotel firms are also presented. The potential growth of each market segment, particularly in the years ahead, is predicted, while recommendations on how hotel operators can successfully exploit these sources of wealth are discussed by exhibiting various statistics and estimations on how these market segments are going to evolve in the future years. Planning, programming and implementation through the concepts of segmentation and branding is further analysed so that a more specific idea of how branding can interact between hotel firms and the need of satisfying the desires of the new arising segments, can be demonstrated.

The primary research measures, firstly, the brand awareness and usage of Hilton in comparison with 6 other hotel chain brands of the same category, secondly, evaluates the main services in terms of importance and excellence in order to make the business traveller, who constituted the sample, to stay or repeat usage in a Hilton hotel, and thirdly, identifies the three dimensions of price, number of facilities and quality which differentiate Hilton from the other hotel chain brands included in the study.

Making a quick review of the research objectives and hypotheses related to the primary research, here is presented an indication of the approach adopted to meet these specific objectives:

Regarding the first research objective, which is the assessment of the extent of brand awareness and usage of Hilton, in comparison with 6 other hotel chain brands, it is presented, especially in the second Chapter, that brand awareness is closely related to the brand name when a hotel is considering to position itself in the minds of the consumer.

Reviewing the marketing theory about branding, it is further indicated that brand familiarity creates assurances of quality, which in turn favours purchase, reducing simultaneously the increased importance of price when the customer decides to purchase it.

It is therefore judged necessary to measure brand awareness though it has also been indicated through previous hotel case studies that sometimes brand awareness does not necessarily require the guest to be aware of the hotel brand name.

The second research objective deals with the assessment of the main reasons that the business traveller choose to stay in a Hilton Int. Further analysing this objective, it was decided to develop a set of fifteen attributes in terms of importance and excellence in order to identify the hotel services that make him select a Hilton Int. hotel.

The third objective is related to product differentiation. It was thus decided to assess the importance of a set of three product features in order to differentiate Hilton among hotel brands. These product features are price, number and quality of facilities and services. In exhibiting this important consideration, it is firstly hypothesised that there is a high correlation between price and range of facilities and secondly that quality of services and facilities is related to price and range of facilities, though theory supports that quality is independent of price and range of facilities.

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## **CHAPTER 1**

### **INTERNATIONAL HOTEL PRODUCT BRANDING**

#### **INTRODUCTION**

The branding of hotels to identify particular properties with specific market segments is not a new concept, but the idea is generating increased interest among hotel groups of all sizes throughout the world. The days of the adaptable hotel that could succeed at being all things to all markets appear to be over. No longer can hotel groups profitably serve and satisfy within one establishment the requirements of groups as diverse as business travellers, conference delegates, holiday-makers, air crews and tour parties. Within Europe, the most established and perhaps best example of the multi-brand group is the French Accor Hotel Group, while in North America the Holiday Corporation continues to lead the way concerning branding.

Some of the top international chains, such as Marriott, Holiday Inn, Accor, Quality International, now have at least two hotel brands while the majority boast three. For many chains, product branding has been forced upon them. The lack of new sites for hotel building in many cities has meant acquisition has been the only way to expand. This has meant acquiring a mixture of hotel grade types that needed to be brought in the company. However, many hotels also acknowledge that product branding is a necessary step in a highly competitive international market in which the products that have been offered had become almost indistinguishable from one chain to the other.

## 1.1 BRANDING AS A MARKETING TOOL

**Branding** is the single most successful marketing initiative of the 20th century. Its heritage is mainly rooted in consumer products which, through branding, have sustained growth and longevity. Indeed, the power of some consumer products such as Coca-Cola, Marlboro and so on, has elevated them to world brands. Over the years many single brands have extended their range by evolving into families of brands. Coca-Cola now encompasses Classic Coke, Diet Coke, Cherry Coke and other variants.

There are three imperatives for consumer product brands. **Each brand is defined by a standard set of specifications, each brand is manufactured to a consistent standard and the image of each brand is managed consistently to appeal to target markets.** When a change is made in brand specifications, essentially a new model is introduced which replaces the previous one. The new model also conforms to the 3 imperatives [67].

## 1.2 BRANDING IN THE HOTEL INDUSTRY

The hotel industry has sought to benefit from branding as well. Hotel brands first emerged in the USA. The influence of Holiday Inn was major to this development because it started with Kermons Wilson's idea of what facilities a Holiday Inn should include and quickly became the country's largest hotel chain. Holiday Inn was a "**new build**" chain which facilitated easy and inexpensive expansion and franchising allowed the company to have its name on hotels owned and managed by others, thus accelerating its penetration of the market. Holiday Inn's success has been taken up by most hotel chains worldwide to the extent that in less than four decades branding has, for many operators, become synonymous with the idea of a hotel chain.

In analysing hotel branding, this thesis focuses on two questions:

**i) To what extent are hotel brands like consumer product brands ?**

**ii) What are the strengths and limitations of hotel brands?**

In order to answer the first question, it is necessary to examine the extent to which hotel brands follow the three imperatives of consumer product brands [83].

### **1.3 BRANDS DEFINED BY STANDARD SPECIFICATIONS**

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Once a market segment has been identified, a full set of specifications can be produced which generally conforms to market demand at that segment and which can be provided profitably. First, there are internal specifications. Decisions are taken on the types, qualities, styles for furniture, soft furnishings, electrical equipment and occasional equipment.

These decisions cover all parts of the hotel - bedrooms, bathrooms, restaurants, kitchens, bars, banqueting rooms, conference and meeting rooms, public areas such as the lobby, corridors and lounges, other public facilities such as leisure club and areas such as stores, cellars, offices and employee facilities. Within each of the parts of the hotel there is a wide range of possible specifications from which to select so that the brand can have its own identity. In bedrooms, for example, there are five main categories for internal specification:



- i) Furniture
- ii) Architecture
- iii) Interior Design
- iv) Bathroom
- v) Electrical Equipment (Fax and Computer points, T.V. and Video, Mini Bar, Direct International Phone Communications)

With each item of equipment there is also a range of possibilities. In the case of television sets in the room, for example, there is a growing range of possibilities to be selected:

T.V.

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Standard channels	Bathroom volume control
Cable T.V.	Bathroom channel control
Satellite T.V	Bathroom T.V.
Video player	Handset controls
In-house video system	Video check-out
Pay movie channel	Hotel information channel
Free movie channel	Teletext

The second area of focus in evolving a hotel brand is the external specification, including the architecture and size of the building, car parking, access, landscaping and signage.

So far, the evolution of a hotel brand is consistent with that of a consumer product brand. However, hotels unlike consumer products are service organisations. Customers enter the hotel to consume hospitality on the premises. Consequently, the customer services provided in the hotel and the job specifications of hotel staff are component parts of the hotel brand. The range of customer services extends throughout the hotel and decisions have to be made on the extent of services specified in the hotel brand [73].

Range of customer services

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24 hours Room services	meals, drinks, valet
Security services	safe deposit
Lobby services	concierge, currency exchange
Business services	Business Club, Conference facilities

A hotel brand is defined not only in terms of what is provided but also in terms of how it is provided; therefore, actual jobs of hotel staff and the style of customer interaction are part of the brand. The technical skills required to deliver the customer services mean that hotel staff mediate between customers and their enjoyment of the hotel experience.

The final shaping of internal and external specifications, the range of customer services and the job specifications are determinants of the prices to be charged for accommodation, meals and the range of other services provided and, in this way, the hotel brand is defined. A hotel is more complex than a consumer product brand; therefore, in terms of the range of component parts and their relationships, the first brand imperative (that each brand is defined by a standard set of specifications) can be adjusted in the case of the hotel.

1.4 BRANDS PRODUCED TO A CONSISTENT STANDARD

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The unique unifying feature of brands and generally of all hotel chains is the name. Apart from the name, the evidence is that there has been no consistent reproduction of the original brand specifications. The larger the hotel portfolio, the greater the removal from the original brand specifications [83].

There are three main reasons for this:

- First, **the internal specifications are derived mostly from generally available manufactured goods: beds, televisions, radios, phones, etc.**

Availability is subject to the manufacturer's own developments and their own changing product brand specifications. Consequently, consistency of brand specifications is difficult to maintain.

This is especially so for multinational hotel brands for which it is more cost effective to buy furniture, fittings and equipment locally than from central suppliers and send them to the hotels. The internal specifications of a hotel brand develop over time, just as consumer product brands do. However, there is a main difference: developments in a consumer product brand supercede the existing brand specifications which are no longer produced. Developments in hotel brands exist together with the old internal specifications for the same customers. A typical hotel bedroom has a life of 5 to 8 years before refurbishment is needed. In practice, most of the hotel chains invest in a rolling programme of refurbishment, so at any time there is no standardisation of internal specifications throughout a branded hotel chain and the larger the chain the less the consistency of internal specifications.

- The second reason has to do with the nature of customer demand for hotels. **The pattern of hotel demand is specific to a given location**; the same hotel shaping frequently attracts different demand in different locations. In an analysis of labour productivity in 9 Holiday Inns in the UK, Johnson and Slattery [38] illustrated that there was a wide variation in the revenue generated and in the number of covers served per full-time equivalent employee (FTEE).

In room service, for example, the most productive hotel generated 4.3 times the revenue and 7.9 times the number of covers served per FTEE than the worst performing hotel. The demand differences can also be seen within the same hotel brand in different countries. In 1991, the price of a single room in the London Hilton ranged from \$165 to \$230 while the Budapest Hilton had a single room rate of \$95.

Many other similar examples could be provided which illustrate the need for hotels to adapt to local market conditions and which illustrate that any attempt to impose standardised brand specifications on individual locations is not very productive. For example, Germans prefer that breakfast is included within the price they pay for hotel accommodation while Americans most of the times would like to have ice water instead of normal temperature water.

- The third reason why the precise reproduction of the original brand specifications can not be always sustained in the hotel sector is the most obvious, **the external specifications and the architecture**. The best chance for reproduction is in newly built hotel brand developments in the mid and economy segments of the market. In these areas, quick expansion and reproduction is necessary for the brands to be viable. In the UK, for example, Forte has built 100 Travelodges. Before they were sold to HFS, they all had the same architecture and internal specifications. The external specifications, however, were different from the USA Travelodges and within the USA there is a variety of Travelodge architecture. {Source: Forte Hotels, Excelsior Glasgow.}

Much of the major newly built hotel brand expansion has been in the USA and at these (economy and mid) market segments. Reproduction of original specifications has been limited by local planning constraints, climatic and cultural influences and architectural fashions. Most of these hotels were built in the style of Bauhaus boxes developed for workers and factories. They quickly became ugly and dated. Some chains are now adding mansard roofs, pillars and clock towers in an attempt to renew the buildings and this is removing further from the uniformity of the architecture.

Another important development has been the size specifications of the rooms. The hotel rooms specifications in the UK in the late '60s and early '70s were as small as 18 ft by 12 ft. Larger rooms have since then become fashionable and the latest brand, the Stakis Country Court, has single rooms 26 ft by 13 ft. In the USA the enlargement of room space has produced all-suite hotels where bedrooms are accompanied by a lounge as well as a bathroom (Travel & Tourism Analyst, No 5, 1990) [98].

For new build expansion, the larger the hotel brand portfolio the less the reproduction of the external specifications. Hotel brands are not produced to consistent standards and there are specific reasons why they can not be. Hotel brands, therefore, do not and can not follow the second imperative of consumer product brands.

## **1.5 BRAND IMAGE APPEALS CONSISTENTLY TO A TARGET MARKET**

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The conventional concept with consumer product brands is to identify a target market, conceive of an attractive image for the brand and advertise the brand in ways which convey the desired image to the target market. A basic difficulty for hotel brands is that the less consistent the reproduction of the brand the lower the chances of producing a uniform image [73]. Moreover, there are many target markets for a given hotel because there are diverse reasons why customers visit it.

Resident customers stay on business or on holiday and each of these categories is heterogeneous. Their specific demand on any occasion can be influenced by the kind of business trip, the job held by the customer, the price paid, the length of time spent in the hotel, the nature of the holiday and so on. The diversity is extended further when the demand from the local population in the hotel area is considered. They may use the restaurant, bar, banqueting and leisure facilities.

The diversity is then accelerated when the values of customers are identified and exhibited by their age, sex, socio-economic profile, culture, occupation and lifestyle. **The conclusion is that a hotel serves a multiple market and that attempts to reduce this to a single market and a single image are doomed to fail.**

In summary, although it is possible to create a standard set of specifications for a hotel brand, practice has shown that there is no consistent reproduction and no consistent image. This lack of consistency is not an indication of irregular hotel management. Rather, market demand and other external constraints minimise the possibility of hotel brands evolving in the same way as consumer product brands.

## **1.6 THE ADVANTAGES AND LIMITATIONS OF HOTEL BRANDS**

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The minimum condition for a hotel chain to be branded is that it **has a name and a logo**. Without this, the matching is so loose as to be no chain at all. Some UK brewing companies own hotels which are not gathered into a chain. They do not have a collective name and they do not derive any chain benefits such as centralised marketing and centralised room bookings.

The maximum conditions are that **all brand components are consistently reproduced and a singular image is presented to potential customers**. This thesis has already shown that this can only occur in the most simple forms of hotel - budget hotels, with few non-room facilities. Between the two kinds, hotel chains can be classified into soft hotel brands exhibiting only the minimum conditions and hard hotel brands tending towards the maximum conditions. The basis for classification is **the degree of product standardisation across the chain**.

## 1.7 SOFT HOTEL BRAND

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Kleinwort Benson (1990) [40] demonstrates that those brands that tend to have low degree of standardisation are characterized as **soft** brands while those with a higher degree of homogeneity and standardisation are characterized as **hard** brands.

Mount Charlotte is an example of a soft hotel brand. In 1991 it had 101 hotels with 13,743 rooms, all in the UK. No hotel has the name of the company and all the hotels were acquired rather than built.

Consequently, they all have different internal and external specifications, different ranges of customer services. The hotels are of different sizes in the full range of locations, at different market levels and at different prices. Even when there have been attempts to brand some of its hotels as Hospitality Inns there is no consistency even in the names. Two of the Hospitality Inns are called Skean Dhu hotels. In November 1989 Mount Charlotte took control of Thistle Hotels which was a harder brand.

Even then, several of the hotels were not named Thistle. As a whole Mount Charlotte has ignored every brand imperative. If the theory of branding arising from consumer product brands is right, then Mount Charlotte should have been a poor hotel chain.

In fact, exactly the opposite occurred. The contemporary period for Mount Charlotte started in 1976. During the '80s the room stock expanded by 12,200 rooms, a rise of 815 per cent. Over the decade, profit grew 7,369 per cent. {Source: Mount Charlotte, Marketing Department}. Mount Charlotte was one of the best performing hotel companies over the period. **Why did Mount Charlotte perform so well when it appears to break most of the branding rules ?**

**Answers can be found by examining the state of development of the UK hotel market and the impact of the wholesale demand for hotels.** Hotel wholesalers act as intermediaries for potential hotel customers in booking hotel rooms. They include travel agents, tour operators and corporate accounts and are the channels through which mass hotel demand is met. The wholesale market is contrasted with the individual market in which a potential customer selects a hotel for any given visit and negotiates the room rate with the hotel on his own.

The wholesale market is the principal channel through which rooms are booked. The attraction of wholesale markets to hotel chains is that they can negotiate with a tour operator, travel agent or business firm to provide a mass of room rights. It is inexpensive to penetrate into these markets, even at discounted rates, because the benefits of securing high occupancy rates are attractive. The 1980s saw rapid growth in the demand for hotel rooms in the UK resulting in an 85 per cent increase in demand for hotel chain accommodation.

The major growth came from business travellers, the development of the short break market as well as rises in the number of overseas holidaymakers. At the same period there was growth in the number and size of hotel chains. Room stock in UK hotels rose 66 per cent to reach a concentration of 23 per cent of all available hotel rooms, the highest in any country. Most of this chain expansion was achieved through acquisition of independent hotels and small chains. New build hotels were less frequent although there was considerable expansion as a result of adding bedrooms to existing hotels. This pattern of chain expansion necessitated the development of softer rather than harder brands and Mount Charlotte was the most perfect example.

Mount Charlotte, more than any other chain in the UK, penetrated the wholesale markets during the 1980s. It provided what that market needed - high capacity and national coverage. As a result, Mount Charlotte achieved high room occupancy rates at low cost and thus exhibited high profit growth, reaching almost 40 per cent in mid-1990.



## 1.8 HARD HOTEL BRANDS

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The USA is the home of hotel brands. Branding is more developed there than in most other hotel markets and, if branding theory is correct, harder brand hotel chains should have exhibited distinct success. More than 120 branded chains currently exist, which gives some indication of the attraction of the idea. During the period of the 1980s, room supply rose by 24 per cent adding 577,000 rooms to the market so that most people employed in the hospitality industry agree that there is now oversupply.

This has resulted in declining performance and in changes in ownership of many of the major chains. The 5 largest chains to fall into foreign ownership during the period 87'-90 account for around 575,000 hotel rooms.

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**Table 1: US owned hotel chains acquired by foreign companies, 1987-90**

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Hotel chain	Acquirer	Nationality
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Hilton International	Ladbroke	UK
Ramada	New World	Hong Kong
Westin	Aoki	Japan
Holiday Inns	Bass	UK
Motel 6	Accor	France

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Source: Kleinwort Benson Securities, "The Decade Review", January 1990

The case of Landbroke's purchase of Hilton International is generally regarded as one of the best hotel transactions of the decade. Ladbroke has almost tripled profits since the acquisition and increased the status and value of the Hilton International brand. From this example it is also clear that **quality of hotel brand management is important to the success of the brand**. A specific feature of the US hotel chains is that most are involved in franchising hotels rather than in ownership and management. The franchisee pays a fee of around 4 per cent of the rooms' turnover for the right to brand the hotel, which he owns and manages to a particular flag, for example, Holiday Inns, Days Inns or Travelodge, and to gain access to the corporate services such as central reservations systems, advertising, purchasing, training, provided by the franchise company.

Franchising is responsible for the major expansion of branded hotels in the USA. Apart from Holiday Inn, it has been less popular internationally and rare in the UK. Among the reasons for the popularity in the USA of franchised hotels is that most chain expansion in the past four decades has been by new build and franchisors have been able to provide a formula for hotel owners and operators to reduce the development costs.

One of the reasons why hotel franchising is rare in the UK is that expansion has been by acquisition and oldest hotels can not conform to the brand specifications of many franchisors. A feature common to all franchise companies is a central reservation system, which comes second in importance to the brand itself in attracting franchisees. The reservation system acts between individual customers booking their own hotel rooms and the hotel wholesaler. It is connected to brand identity and brand loyalty and most such systems are accessed on a toll-free telephone number.

For a reservation system to be effective it needs both a geographic spread of hotels and a measure of brand loyalty. The larger the size and wider the geographical spread of the hotel portfolio, the more effective the reservation system is.

## 1.9 DEVELOPING BRAND LOYALTY

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Intensified competition in the international hotel market during the early 1970s combined with the value to hotel chains of repeat business, particularly in the corporate sector, served to strengthen hotel chains' efforts to develop brand loyalty among their guests at this time [97].

Firstly, this was achieved through the offering of incentives and special terms, principally aimed at the corporate segment. Gradually these became more formalised in many hotel chains like **Marriott's Honoured Guest Awards Programme** and their **Marquis Club**, **Hilton International's Executive Business Service Scheme**, **Intercontinental's Six Continents Club**, marketed as a benefit package. The features of these and many other similar schemes provide the cardholder with some of the following benefits:

- guaranteed reservations regardless of check-in time through the CRS (Central Reservation Systems);
- a corporate room rate, below the average published rates;
- rapid check-in and check-out facilities;
- personalised gifts;
- frequent flyer/stayer guest programmes;

In some cases, membership in these schemes is subject to the payment of an annual fee. In others, it is dependent upon the traveller or his company qualifying for membership by the volume of hotel accommodation bought during the year. As hotel chains have seen the potential and rewards of such initiatives, more have adopted similar schemes. Consequently, it was not long before chains had to look for new and different ways to develop brand loyalty in the market place.

This introduced more tangible increases to the hotel product such as business service centres, executive bedrooms and lounges and health and fitness centres which enabled chains to tailor their facilities to the specific needs and expectations of particular target markets. This approach helped develop brand loyalty particularly among international and domestic travellers.

## CONCLUSION

In the first Chapter, an introduction of **the branding phenomenon** is attempted, providing arguments why, especially nowadays, this marketing strategy is so useful and generates increased interest among hotel chains worldwide. In further analysing hotel branding, the question of whether hotel brands are like consumer product brands and what the attractions and limitations of hotel brands are, is raised.

As far as it concerns the first brand imperative, that **each brand is defined by a standard set of specifications**, although a hotel is more complex than a consumer product brand in terms of the components parts of the hotel, it was shown that it **can be adjusted** in the case of the hotel.

Examining the second brand imperative, that **brands are produced to a consistent standard**, it was demonstrated that hotel brands **are not** produced to consistent standards for several reasons.

Analysing the third brand imperative, that **brand image appeals consistently to a target market**, it was also exhibited that there is **no consistent image** for the hotel sector in order to attract a specific target market by conveying the desired image to it, since the diversity of demand of the various market segments that visit a hotel is quite pronounced.

Regarding the advantages and limitations of hotel brands, an attempt to separate the hotel industry into **soft** and **hard hotel brands** was made in order to exhibit the minimum and maximum conditions that exist respectively for the two types of hotel brands. The examination revealed that in the past **harder hotel brands have exhibited a more distinct success**, especially in the USA, through franchising than ownership and management contracts.

By managing to achieve brand identity and loyalty through CRS (Central Reservation Systems), corporate services such as advertising, purchasing and more sophisticated management systems, this type of hotel brand has been expanding quite rapidly since the last decade, increasing occupancy rates as well as room supply. By cooperating with wholesalers such as travel agents and tour operators, hotel brands manage to make a high average profit since they have corporate accounts which is more beneficial for their customers, who are also offered a certain number of room rights.

In the second Chapter, the term **market segmentation** is analysed in order to introduce the reader to the general theory and strategy of segmenting a given market. The application of the various segmentation concepts is further examined within the hospitality industry through specific hotel brand examples worldwide. Different aspects of segmentation, that of **Product and Benefit segmentation** as well as **Product Differentiation** are also discussed.

A brief review of how hotel chain brands have grown in the US/UK and European boundaries, by using the strategy of branding their products and thus facilitating in creating **differentiation** and **positioning** in a competitive marketplace is also made. The analysis of the evolution of the USA, UK and European industry as well as **the importance of the Tourism industry** for the attainment of the broader objectives of the European Union, sets the context for presentation of **current strategies and the use of branding and segmentation** in their implementation. An attempt to present the growth potential of the new market segments which are slowly emerging worldwide and tend to become the main sources of the new branded hotel chains, is also made.

## CHAPTER 2

### MARKET SEGMENTATION POLICIES AND IMPLEMENTATION OF BRANDING STRATEGIES IN THE GLOBAL HOTEL INDUSTRY

#### A MARKET SEGMENTATION

##### INTRODUCTION

Recognising that customers differ from each other in terms of who they are and why they buy, provides opportunities for market segmentation. **Segmentation can provide the key to profitable marketing in competitive markets.** The means whereby groups of customers are distinguished from each other is important and attention has to be paid to the choice of criteria for segmentation. Customers can be categorised on many dimensions, but only those criteria which relate in some way to purchasing behaviour and which lend themselves to marketing action are of any use to the marketing strategist [64].

**Market segmentation, as the term implies, is the process of dividing the total market into identifiable and quantifiable segments.** The objective of this process, of course, is to gear the activities of the organisation to satisfying that group of consumers which has been identified as the best target market for the potential or existing output of the organisation. That does not mean that market segmentation is an easy exercise to conduct. According to Oliver, G. [70], *"Most debate about segmentation centres around the best ways to distinguish the subclasses within the total market. An amazing range of possibilities exists. Some focus on the characteristics of the consumers and some on their inferred conception of the products and brands "*.

Once the hotel's customers, actual and potential, have been identified, the question arises of whether the hotel can satisfy their wants. The problem could be easily solved if all customers presented the same requirements or if their wants could be satisfied by the same product sold in the same way. However, there are differences in demographic characteristics between customers and closer examination reveals that smaller differences also exist; these include taste, life style and so on [92]. These differences among customers mean that an undifferentiated campaign to a mass market will seldom meet with widespread success. On the other hand, few hotels are able to cater for specific individual requirements within the marketplace [60]. Fortunately, it is often found that when a market is subjected to a close study, the members of that market fall into segments in which customers exhibit the same wide characteristics. These segments form separate markets in themselves and can often be seen to be large enough to guarantee a separate marketing strategy. Looking at markets in this way is termed market segmentation [57].

Another way of expressing the definition of market segmentation is the process by which an organisation attempts to match a total marketing programme to the unique manner in which one or more market segments (customer groups) behave in the marketplace [30]. A segmented approach to marketing can bring many advantages to a hotel:

- Firstly, many companies have found that if they can identify a viable sub-market they can cater exclusively for the needs of that segment and gain a degree of dominance that would probably not be possible within the total marketplace.
- Recognising that customers are different can enable the marketer to achieve a closer matching of customer needs with the firm's product or service offering.

Thus, the matching process that is at the heart of marketing is, in fact, facilitated by adopting a segmentation approach. Segmentation strategies have an additional value in that they allow the company to relate its strengths and weaknesses to its marketing approach by ensuring a concentration of resources in those areas where the company has the greatest advantage.

## 2A.1 IDENTIFYING CUSTOMER GROUPINGS

Two approaches to segmentation suggest themselves:

- Market segmentation through an analysis of the characteristics of the customer.
- Market segmentation through an analysis of the responses of the customer.

Segmentation by customer characteristics poses the initial question: "*Who are your customers ?*". Demographic features can be a useful way of describing customer differences and can indeed be used as the basis for a segmentation strategy [57].

However, demographic characteristics are not the only criteria to characterise markets. In consumer markets, for example, it might be right to use personality factors or "**life style**" types as the basis for segmentation. The food market, for example, can be divided into a conservative segment such as those who eat steak and chips and drink tea, even when they are on holidays in Hellas, and an adventurous segment that enjoys new and exotic tastes [80].

Segmentation on the basis of responses asks the question: "*Why do they buy ?*". This approach can involve an examination of buying patterns to determine how many customers buy at the closest hotel or how sensitive customers are to price changes.



An approach which is becoming increasingly popular is to examine the attributes that the customer is seeking from a product or service. This is called **Benefit segmentation** and is based on the belief that the reason a customer purchases a specific product is to acquire the number of benefits that he or she perceives it to contain [50].

## **2A.2 CRITERIA FOR SEGMENTATION**

Whatever the means by which we distinguish between our customers, the criteria that we use for categorisation must be appropriate to the specific product/market situation. Clearly, the characteristics must be related to behaviour. When segmentation is based on the benefits that the customer is seeking to acquire from a product, the criteria must be limited to those benefits actually related to purchase. Once we know the nature of those benefits and the particular combinations that the market seeks, we can better promote our product offering to those customers who are most likely to be attracted to it [50].

For a strategy of market segmentation to be successful, there are a number of requirements that must be met:

- First, for a segment to be viable, it is necessary that it can be distinguished from other segments. At the same time, the customers within each segment must have a high degree of similarity on the criteria adopted for segmentation. In other words, customers must be different on some dimensions, thus allowing segments to be isolated within the overall market, but customers within each segment must be similar on certain specific dimensions [80].

- Second, the criteria used to differentiate between customer groupings (market segments) must be relevant to the purchase situation. These criteria should be related to differences in market demand [80].

- Third, the segment should be of a sufficient potential size to ensure that any marketing investment made within it will guarantee an adequate return [72].

- Fourth, an identified market segment can only be exploited if it can be reached. It must be possible to direct a separate marketing strategy to each segment [70]. This means that the customers in each segment could have different T.V. viewing or reading habits, different responses to prices or different expectations as to the benefits to be derived from the product.

### **2A.3 SEGMENTATION MODELS**

A segmentation model requires the selection of a basis for segmentation (the dependent variable) and descriptors (the independent variables) of the various segments. Segmentation models can be classified into 1 of 4 categories. These are (1) descriptive models, (2) psychological models, (3) psychographic models and (4) behavioral models. Each model will now be briefly discussed in turn.

**Descriptive segmentation** models include such variables as geographic (place of origin, place of residence, destination) and demographic (age, sex, occupation, family size, stage of life cycle, education, etc.) segmentation variables. Demographic variables have perhaps received the greatest attention in the literature on segmentation as they are the most popular bases for distinguishing between customer groups (Phillips and Sternthal, 1977 [78]; Lansing and Kish, 1957 [43]; Lunn, 1978 [57]).

**Income** is perhaps the most popular of the demographic segmentation variables and has often been cited as the best of the demographic bases for segmenting markets (Allt, 1975 [1]; Slocum and Mathews, 1970 [85]).

The originative work in the area of **psychographic models of segmentation** was conducted by Wells (1975) [106]. He suggests 5 examples of psychographic research which are applicable to the issue of market segmentation. These are (1) psychographic profiles based on general "life-style" dimensions, (2) product-specific psychographic profiles, (3) the use of personality characteristics as descriptors and segmentation variables, (4) general life-style segmentation models and (5) product-specified segmentation.

**Behavioral models** of segmentation have received the most attention in terms of research over the years. In this model of segmentation, consumers are divided on the basis of their use of, or response to, a product. Benefit segmentation, brand loyalty, user rate, user status and usage situation all come under this category.

Two studies in the field of hospitality have used the benefit segmentation approach. The research by Lewis (1980) [50] on benefit segmentation can be regarded as the originative work on segmentation in the field of hospitality.

In this study, he used discriminant analysis to demonstrate how the identification of benefit segments can inform the development of a positioning strategy. A second study which employed benefit segmentation was conducted by Mazanec (1984) [60]. He used a cluster - analytic approach (a number of persons grouped together) to segment the Austrian domestic travel market into 3 distinct clusters which could then be targeted with different promotional techniques.

## 2A.4 MARKET SEGMENTATION IN THE HOSPITALITY INDUSTRY

**Market segmentation** certainly became the buzzword of the 1980s in the hospitality industry and there is no reason to suspect that the 1990s will be any different. Indeed, both the existing and planned reproduction of brands throughout the industry witnesses the continued concern with segmentation as a viable marketing strategy.

In the lodging industry, the single brand hotel chain of the '60s and '70s is now virtually non-existent. On the contrary, we see an inflow of multiple brands and brand strategies. For example, contemporary brand strategies include corporate brand strategies (e.g., Econo Lodges (USA), Days Inns (USA), Copthorne Hotels (UK), Metropole Hotels (UK)); product line brand strategies (e.g., Comfort Inns, Comfort Suites, Quality Inns, Quality Suites, Clarion Inns, Clarion Suites which are all part of Quality International (USA)); family name-brand strategies (e.g., THF Little Chef, THF Travelodges, THF Exclusive and THF Forte Hotels which were all part of Forte (UK)); and individual brand name strategies (e.g., Hampton Inns (USA), Hilton National (UK)). Segmentation has grown to the extent that there is inter-tier brand segmentation; for example segmentation of the product within a brand tier such as in the case of the all-suite segment which is sub-divided into limited-service all-suite, full-service all-suite and extended-stay all-suite.

**Segmentation** in the hospitality industry will continue to be a force for several reasons:

- Firstly, conventional wisdom in the field of financial management suggests that firms should develop a portfolio of businesses to balance their earnings flow. In theory, the portfolio is designed so that the return to the shareholder will be stable over the life of the firm. In this way, individual businesses are expected to complement each other such that when one business is experiencing a downturn the other businesses will be up. In response to this type of thinking, hospitality firms began to develop multiple brands [64].

- Secondly, segmentation offers hospitality firms the opportunity to grow in a saturated market place. Segmentation constitutes the first of the three stages of target marketing (the second is market targeting - choice of which identified segment to serve - and the third one is product positioning - the use and selection of a marketing mix designed to appeal to the target market. By segmenting the total market place, hospitality firms manage to differentiate and create a clear image and brand loyalty in the minds of the consumers [72].

- Thirdly, it is often cheaper and financially wiser to build new concepts than to renovate existing hotel room inventory. In the United States, for example, it is estimated that over 50% of today's inventory in the lodging industry is old and tired. It is financially more rewarding to develop new properties and concepts rather than renovate the existing old inventory (Olsen, Damonte and Jackson, 1989) [72].

The most popular segmentation models used in the hospitality industry are descriptive in nature. Perhaps the most used of these descriptive models is the geographic segmentation. There are 3 broad approaches to geographic segmentation in the hospitality industry:

- First, national geographic segmentation. In countries like the USA and the UK, hotel companies have traditionally concentrated only on this type of segmentation. Examples include chains like Mount Charlotte (UK), Stakis Hotels (UK), Jarvis Hotels (UK) and Econo Lodges (USA) [54].

The emphasis is clearly on geographic segmentation, usually by place of origin of the national market with little or no specific provision for the international market.

- The second approach to geographic segmentation is international geographic segmentation (Lewis and Chambers, 1989) [54].

This approach is far more complex than the first approach for two reasons:

- i) it demands a far wider geographic segmentation, and
- ii) it often requires the mixing of diverse market segments.

Hotels in Hong Kong and Singapore have long faced the problem of a wide geographic approach to segmentation. It is not unusual to find hotels in these locations simultaneously catering to the needs of nationals from each of the ASEAN countries (Indonesia, Malaysia, Thailand, Philippines, Singapore, Brunei, Vietnam) as well as nationals from one or several of some of the member states of the EU (Britain, France, Germany, Spain, Greece, Denmark, Netherlands, Belgium, Italy, Luxembourg, Portugal, Austria, Finland, Sweden, Ireland), as well as several additional countries. Such a wide approach to geographic segmentation poses some practical problems. The hotel has to ensure that each market segment is compatible with the other.

In an attempt to overcome some of these practical problems, many hotels, often by default, have become a one-origin hotel; for example, catering primarily to Americans or Asian customers. Examples of the latter might include the Nikko Hotel in New York city and the New Otani in Los Angeles which initially catered primarily to the Japanese market. A hotel has to ensure, however, that if it is to become a one-origin hotel, that the segment is large enough to support profitable occupancy levels. In reality, this is seldom the case.

- The third and final approach to geographic segmentation is a combination of the above two approaches. The case of France's Accor chain is an example of such an approach. Within the French market, Accor's Formule 1 and Etap hotel concepts segment the lower and middle portions of the French market, while the Sofitel, Ibis and Novotel concepts segment primarily the international market. Another example of such an approach would be Forte. Its Viscount chain in the United States caters primarily to the international traveller, while its Travelodge chain, before the HFS purchase, catered primarily to American nationals ( Lewis and Chambers, 1989 ) [54].

There are problems, however, with basing one's approach to segmentation purely on descriptive variables. Descriptive data, by their very nature, are of little analytical worth in that they are not capable of implying the relation between the cause and effect and are, in turn, poor predictors of behaviour.

For example, knowing that someone earns over \$50,000 per year is meaningless and useless as a segmentation variable. Knowing how much people earn does not tell us what they spend. The fact that a group of people belong in the same income category does not mean that they all possess similar or identical patterns of consumption and expenditure.

Descriptive statistical categories are not capable of implying individual or group patterns of expenditure and, of course, are not capable of implying the reasons behind those purchase decisions. All that descriptive statistics can do, is to summarize qualities about a data set. Apart from that, they are sometimes misinterpreted and are often the only type of research conducted by hospitality firms as a basis for segmentation.

**Since market segmentation is founded upon the concept of within-group homogeneity and between-group heterogeneity,** it is not feasible to segment markets only by demographic variables such as place of origin. It may be more beneficial to segment international markets by benefits sought or purpose of visit. A hotel, as in the case of the Hilton Waldorf Astoria in New York City, may cater primarily to the business traveller, regardless of nationality or geographic origin [32]. If hotel companies are to face the complexities of segmenting international markets, they need to move away from their current reliance upon descriptive statistics and move toward the use of inferential statistical techniques as a basis for segmentation.

The future of segmentation in the international hospitality industry lies in the use of multivariate statistical techniques such as multiple variants (both increase together) or regression analysis (one increases and the other decreases), multiple discriminant analysis (when observations are divided into two separate classes), multivariate analysis of variance, factor analysis, multidimensional scaling and conjoint analysis.

Multivariate techniques are capable of analyzing the association among three or more variables. The multivariate approach allows the researcher to gain more knowledge than is available from descriptive statistical techniques. The benefits of using multivariate statistics to segment markets is apparent in Marriott's development of the "**Courtyard by Marriott**" concept which is currently running above the US national average occupancy rate of 63%.

In developing Courtyard, Marriott conducted extensive research regarding the frequent, cost sensitive business traveller. The research showed that there were two primary types of travellers in this market sector. The first type were called "**functional roomers**". What they were looking for was a "**not fancy, good value hotel experience**." Their room had to function in such a way so that it could satisfy desires as sleeping, working and entertaining within it. The second type were called "**security seekers**". These were individuals who were not completely comfortable with travel and wanted to be reassured about security and comfort.

In designing the first Courtyards, Marriott took into account the needs of both types of business travellers. A brochure developed by Marriott described Courtyard Inn's rooms as "**designed by business travellers for business travellers**". Most of the rooms had king sized beds and all were quite large to have a separate seating area including a sofa which facilitate entertaining. Every room had a well lit desk and a telephone with a cord long enough to reach anywhere in the room. Research also indicated that public areas in the hotel, like lobby, ballrooms and so on were less important to these travellers. However, smaller conference rooms and a restaurant were regarded as important.

{Source: Ledra Marriott, Marketing Department, Athens, 1994}.



## **2A.5 THE IMPORTANCE OF A WIDE MARKET BASE**

As hotel chains have expanded throughout the world and domestic and international travel becomes more and more a part of everyday life, demand and competition among hotels has increased, particularly among the largest international hotel chains. At the same time, hotel operating costs have continued to rise, encouraging hotel operators to reduce staffing levels, adopt a more widespread use of computerised accounting and management systems and, generally, improve operational efficiency in order to maintain or improve operating profits.

These factors have served to underline the importance of achieving high room occupancy levels and average room rates. This in turn has reinforced the need for hotels to offer a variety of services and facilities to attract a wide guest base in order to maintain profit levels. However, experience has shown that different market segments can not always be served within one hotel [98].

On the one hand, the economics of hotel operations require high levels of occupancy and achieved room rates to be sustained throughout the year, which suggests the need to attract a wide market base but, on the other hand, increased competition demands hotels to target the particular market(s) they serve in order to satisfy their needs.

This raises the question of **whether a hotel can successfully serve a range of different markets**. So far, it appears that this is what most hotels have been doing for decades. Certainly hotels have been able in the past to serve different markets successfully but the international hotel market is now more competitive than ever before and the hotel user more demanding, making it quite difficult for hotels to satisfy a variety of market demands and expectations [97].

For example, a business traveller, conference delegate and holidaymaker staying in the same hotel will have different requirements for restaurant and bar facilities, concierge and room services, communication links and leisure facilities. If a new hotel is designed or an established hotel adapted to meet all the potential needs of each individual market, it will inevitably result in high costs which in turn will have to be reflected in the need to charge high, and possibly uncompetitive, room rates.

The multi-purpose restaurant is a good example of the way in which many modern international hotels have tried in the food and beverage area to serve a wide guest mixture by providing a range of different restaurant facilities. In trying to combine the roles of, let us say, an a la carte restaurant for suited business travellers, a coffee shop for casually dressed holidaymakers and a snack bar for uniformed air crew, multi-purpose restaurants rarely succeed in creating quite the right atmosphere for any single category of guests.

## **2A.6 DIFFERING MARKET EXPECTATIONS**

The principal market segments that the international hotel chains seek to attract are varied, according to the location of individual hotels and the type and standard of hotel, but generally can be categorised as shown in Table 2.

The fact that different market segments could not be served, was first identified by the airlines long before the hotel industry recognised the issue either as a problem or as offering growth opportunities. International airlines discovered in the 1960s that it was becoming increasingly difficult to serve and satisfy different categories of passenger with the same product, particularly if each passenger was paying a different price for what appeared to be a common level of service.

**Table 2: Main Target markets of the international hotel chains and their special requirements**

MAIN TARGET MARKETS	SPECIAL REQUIREMENTS
<p><b><u>Corporate Travellers:</u></b> the business traveller requiring hotel accommodation while travelling/working away from the normal place of work, paid for by the company or at least in part by the company;</p>	<p>Guaranteed reservations; Rapid check-in/check-out; Business services, like international direct dial phones, telex and fax transmission, secretarial and translation services; study style bedrooms;</p>
<p><b>Leisure Travellers:</b> people travelling for non-work purposes and paying for their accommodation. In some cases will be corporate travellers "off duty" and often accompanied by their family;</p>	<p>Leisure facilities; Value for money food and beverage facilities; Local information and own booking facilities; Entertainment; Children activities;</p>

<p><b>Group Travellers:</b> organised groups of leisure travellers or holidaymakers based in a particular location as part of a single or multi-destination trip;</p>	<p>Group check-in/check-out; Leisure facilities; Assembly areas; Courier points;</p>
<p><b>Conference Groups:</b> organised groups staying in hotels for the purpose of attending a conference convention, meeting, seminar, whether stayed in the hotel or not;</p>	<p>Group check-in/ check out; Meeting rooms and support facilities; Independent dining areas; Comparative isolation;</p>
<p><b>Aircrews:</b> airline flight and cabin crew requiring hotel accommodation while they are on stopover at or near an airport location. Usually the subject of a low price volume crew contract for a specific airline.</p>	<p>24-hour operations; Leisure facilities; Room blackout.</p>

Source: Travel and Tourism Analyst, No. 5, 1990 [98]

This was particularly obvious between business and holiday passengers occupying identical seats and enjoying the same level of service but paying substantially different fares.

The difficulties faced by the airlines in combining different market segments within the same cabin space led to the introduction of the business class cabin to separate the corporate traveller who did not choose to travel first class from leisure travellers and others with heavily discounted fares.

## 2A.7 PRODUCT SEGMENTATION - PRODUCT DIFFERENTIATION

Despite the proven success of adopting a market approach to segmentation, many hospitality organizations claim to engage in a strategy of market segmentation when, in fact, they practice a strategy of either **Product Segmentation** or **Product Differentiation**. While they are related, each of the three above strategies is distinctly different and serves different purposes.

**Product segmentation** is a process whereby the product differentiates for the same market, for example, as in the case of the plethora of brands in the hospitality industry. In other words, the market is sought to fit the requirements of the product, not vice-versa. The US development of multiple brand portfolios has occurred through product segmentation [71]. This new product concept meets the identified needs of a particular market segment. It is a consumer orientated strategy which follows the process of target marketing, as described previously in the section of "**Market Segmentation In The Hospitality Industry**". The brands introduced by Holiday Inn and Marriott were also based upon consumer orientated research.

**Product differentiation** is defined as a product offering which is perceived by the consumer to differ from its competition on any physical or non-physical product characteristics including price. It is a strategy whereby a firm attempts to offer unique product/service features that will enhance a customer's perception of a high price-value relationship and thus make him or her willing to pay a higher price. Firms implementing a differentiation strategy stress quality, a good corporate image and strong cooperation from marketing channels. The differentiation does not have to be real; it can be perceived. Differentiation is being pursued to such an extent that it only confuses the customer [69].

Differentiation has thus become often meaningless in the hospitality industry because it does not clarify customer confusion and create brand awareness and loyalty, but rather only serves to enhance customer confusion. **A strategy of differentiation can not be pursued without a strong market positioning programme.**

**Positioning** occurs after the market has been segmented on appropriate variables; not only descriptive variables. It is the process whereby a hospitality organization will inform its target markets about the attributes, both objective and subjective, and attempt to differentiate those attributes from those of the competition in the mind of the target market [69].

There are essentially 3 components of positioning:

- i) the creation of an image**
- ii) the determination of benefits offered, and**
- iii) the differentiation of those benefits.**

Many chains have been unsuccessful in their attempt to position multiple brands. The success of a multiple brand strategy depends on creating and maintaining a clear differentiation in the minds of consumers (Yesawich, 1984) [111]. However, many hotels have failed to create a strong positioning statement for their multiple brands in that each brand often does not stand for a combination of goods and services (Withiam, 1985) [107].

The attempt of branding in the hospitality industry is both indicative of the product-orientation of many hospitality firms as well as of their use of descriptive criteria for segmentation purposes.

Rather than segment markets according to behaviorally based variables (such as benefits sought), many chains have simply attempted, usually unsuccessfully, to provide a single brand for a single market [99]. One exception to this lack of success is the French chain Accor which has successfully managed to develop and maintain a strong positioning statement which clearly differentiates each of its Formule 1, Ibis, Novotel and Sofitel brands.

Each of these four brands caters to a distinct market and there is little customer confusion. On the contrary, Quality International - with their Quality Suites, Quality Inns, Clarion Suites, Clarion Inns, Comfort Suites, Comfort Inns and McSleep Inns - is an example of an organization that has not been as successful in developing a strong positioning statement for each of its brands and there would appear to be customer confusion concerning the difference between each of these seven product-oriented brands [107]. Many of the attempts in the hospitality industry to create brand loyalty and maximize brand switching costs have failed due to customer confusion caused by a combination of a lack of clear positioning statements and poor segmentation strategies.

## **B. BRANDING IN THE US/UK AND EUROPEAN HOTEL INDUSTRY AND IMPORTANCE OF TOURISM IN THE EUROPEAN UNION**

### **INTRODUCTION**

Hotels have always been recognized by name and, to this extent, have always held one of the features commonly associated with the branded product [8]. Traditional branding theory, based on goods, also requires that brands are produced to a same specification and standard [83]. In hotel marketing, branding may help to reinforce actual hotel attributes based on main or augmented aspects. It may also reduce consumer risks associated with the purchase of intangible hotel services [73]. Additionally, branding may help hotels to achieve higher levels of repeat business especially for the regular customer segments. More generally, branding can facilitate differentiation and positioning in a competitive marketplace.

#### **2B.1 PROBLEMS OF HOTEL BRANDING**

It is not difficult for a hotel chain to achieve some market recognition by placing the same name across all of its hotels. However, one problem of hotel branding lies in being able to offer a customer an experience which can be recognized time and time again across all its hotels. This assumes that the hotel chain has identified a hotel experience which meets or preferably exceeds the needs of target market segments. Without the latter, there is little reason for customers to return and to become loyal to the brand. However, the nature of the hotel product can work against the idea of brand consistency.



For example, it is impossible to achieve total consistency in the behaviour of service personnel although some companies achieve considerable success in this respect.

Secondly, hotel customers will experience differences in the behaviour of other customers. Even where a time differential is recognized, for example, between weekday and weekend, the needs of some hotel customers will come into opposition with the needs of other hotel customers. For example, a tour group will have quite different requirements to individual business travellers.

Problems of consistency are not limited to the role of people within the hotel product, but are also found in the provision of the physical product. Slattery, 1991 [83] identifies these problems and a summary is given below:

- 1) The physical goods that make up the internal specification of the hotel brand are regularly modernised and eventually replaced by new products by the manufacturer.
- 2) The internal specification can not be changed quickly and separately across a whole portfolio of hotels. Renewing tends to take place on a rolling programme basis leaving some hotels looking distinctly different to others.
- 3) The pattern of demand for individual hotels within a given brand is not similar to other hotels within the brand chain. Some hotels, for example, experience higher levels of demand for certain services and facilities than others and some hotels within a branded chain sell services at different prices to suit local market conditions.

4) Achieving complete consistency in the external appearance of a hotel is difficult. Even newly built units in the budget hotel sector are subject to local planning constraints working against consistency. In situations where chains have grown through acquisition, the likelihood of external consistency is reduced further.

Not surprisingly, therefore, considerable differences are found in levels of consistency offered by hotel chains. Some do not offer a consistent name across their hotels and do not seek to achieve consistency of experience. They can not be considered as brands. Others, operating at the opposite direction, offer the same names and a highly consistent product and services. Some even offer a consistent price. Most hotel chains choose a position somewhere in between, especially those which have grown through acquisition rather than being newly built. Slattery [83] defines in Table 3 the terms **soft** and **hard** brands to illustrate differences in levels of consistency. Table 3 shows in relation to specific operational and strategic features.

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**Table 3: Soft and Hard Brands Differences in Levels of Consistency in Relation to Specific Operational and Strategic Features**

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<b>Table 3: Factor/Strategy</b>	<b>Harder</b>	<b>Softer</b>
Use of same brand name across hotels	Yes	Yes
Level of physical product consistency	Higher	Lower
Level of service range consistency	Higher	Lower
Consistency in pricing	Higher	Lower
Level of national coverage	Higher	Lower
Consistency in type of hotel locations	Higher	Lower
Emphasis on national advertising and promotion	Higher	Lower

Reliance upon growth through acquisition	Lower	Higher
Emphasis on product planning and development	Higher	Lower
Markets targeted	National specific segments	Local range of segments

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Source: Travel and Tourism Analyst, Vol. 1, 1991, [83]

## **2B.2 BRAND DEVELOPMENT IN THE USA**

Branded hotel chains originated in the USA [73]. After the Second World War, city centre hotels primarily targeted the business customer without taking into account the more specific needs of the leisure customer. Independently operated roadside inns were found by Kemmons Wilson to be of an unpredictable quality and price and, in 1952, he opened the first Holiday Inn motel in Memphis, Tennessee. The motel featured large rooms with two double beds, a telephone and TV. Each hotel also had a restaurant and swimming pool. One of Wilson's primary objectives was to offer a consistent motel experience; in this case, to the car-based leisure market. Holiday Inn kept a firm control on the quality of its franchised outlets.

Their main strategy was that the guest would not experience any surprises regarding prices while their guests would not have to be dressed formally in order to enjoy a meal in the restaurant. It used architects to develop motel designs specifically to suit its target market [44].

Through such methods as regular inquiry of hotels and centralized purchasing of consumables like soap and certain foods, it ensured that specified standards were maintained. Brand identification helped franchisees to increase sales and this soon became the driving force behind the growth of chain hotels in the 1960s and 1970s.

By 1980, branding had taken on a new importance in the USA. Due to saturation in the middle and luxury sector of the industry, hotel companies targeted new market segments and developed new brands to meet the needs of consumers, franchisees and their own corporate growth objectives [76]. The attractiveness of adopting strategies of market/product segmentation was increased by the availability of suitable sites at affordable prices, relatively easy planning processes and competitive construction costs. The financing of this growth was helped by changes to the tax laws, deregulation of financial institutions and the inflow of capital from Japan.

Segmentation was further enhanced by the reaction of customers who valued the improved price/quality relationship offered by the new all-suite and limited service hotels [76].

In the period 1980 to 1988, 75 new brands were introduced, however over 35 were either bought by other companies or went out of business [67], proving the view that the US industry has now reached a stage of maturity [71].

### **2B.3 BRAND DEVELOPMENT IN THE UK**

Forte was the first UK company to develop a highly consistent national hotel brand in the form of the first generation of Posthouse Hotels. In the 1960s and 1970s, Posthouse Hotels offered a hotel experience based on modern and mainly newly built properties offering limited services and value for money at locations near major motor routes. Other recognizable brands like Holiday Inn and Crest began to make an impact in the 1970s and today there are considerably more chains but hotel branding and especially hotel chains, have generally speaking been slower to evolve in the UK than in the US.

Over the post-war years (with the exception of the 1969 Hotel Development Incentive Scheme), high land prices, construction costs and planning restraints often made building new hotels less attractive than acquisition [76].

Particularly in the 1980s when the market grew quickly, acquisition appeared to offer the faster route to expansion and profitability. As a result of this approach to expansion, some UK chains have a wide national coverage but limited consistency within their portfolios. Growth of chain hotel demand in the 1980s encouraged some companies to trade up. For example, Stakis and Swallow both upgraded their properties and added a number of leisure facilities. Another strategy which allowed trading up was to offer higher specification bedrooms within a particular hotel. Executive rooms came to prominence in the 1980s as did the club floor, a segmentation concept stolen from the airlines [64].

This shift left the lower priced sector under-served and, in recent years, this gap has been partly filled through newly built properties, like Garden Court, Campanile and Travelodge.

The UK hotel industry is becoming increasingly concentrated, with publicly quoted companies increasing their share of UK rooms from 18.7 to 23.5 per cent between 1986 and 1990. The top 10 companies are particularly strong in the middle and upper levels of the market and in major locations where demand is high [41].

Most larger hotels are chain managed and competition between them has become more intense [76]. In Glasgow, for example, the hotels built in the 1970s and early 1980s had to face competition from a new rebranded Marriott Hotel and Moat House International and, in 1992, from Hilton International. The result has been a recognition of the need to offer a more recognizable and consistent hotel experience [92].

## **2B.4 BRAND DEVELOPMENT IN EUROPE**

The continuous progress of UK and American hospitality firms across Europe as they seek to extend their operations in a uniquely important marketplace for the 1990s, raises the question how multinational hotel chains, who have ambitious development projects underway, view their prospects and the issues which are likely to affect their success in Europe. Forte, Holiday Inn and Hyatt are examples of multinational hotel chain brands with ambitions to extend further into the European market.

The power of established brands such as Holiday Inn, Marriott, Hilton and Hyatt lies in their perceived quality and consistency, portrayed through a unified corporate image and identity. The importance of this can be illustrated by the recent research undertaken by Hyatt, which is more thoroughly discussed in the section "**Branding Hotel Portfolios**" [27].

In 1990, Hyatt International Corporation brought to light a more contemporary logo designed to enhance Hyatt's presence in the international marketplace by portraying the style and personality of the different types of Hyatt properties worldwide.

The findings indicated that Hyatt was perceived to be a stylish, contemporary, innovative and high-quality hotel chain but that these characteristics were absent from the old logo which had been introduced in 1971 and was now considered to be old-fashioned.

An interesting aspect of the Hyatt image research project was the response given during comparisons between the existing Hyatt brand symbol and other corporate logos. Symbols representing manufactured goods were considered to be effective, whereas the name "**Hyatt**" was much better known than the Hyatt logo.

The Hyatt example demonstrates the centrality of the brand name in hotel development plans. It personifies consumer images pertaining to quality, consistency and personality, and a successful combination of both functional and aesthetic appeals provides a uniquely powerful positioning tool.

## **2B.5 HOTEL DEVELOPMENT IN WESTERN EUROPE**

The route to mega chain achieved by American hospitality firms like Marriott was closely related to attaining dominance in the home country. However, prospects worsened in the late 1980s as the supply of chain-operated hotels grew to the extent that the American market became saturated [71]. During the early 1980s, UK hotel chains like Mount Charlotte and Queens Moat were comparatively small, achieving rapid growth during the period of market expansion in the mid-1980s. Consequently, the UK hotel market is now more competitive than ever before.

Despite this, the total share of hotel rooms held by quoted companies in the UK is approximately 20 per cent, which is comparatively low in relation to the USA where the major hotel groups control is closer to 60 per cent of the market.

The growth potential in the UK, and to a much greater extent in continental Europe, is illustrated by several other market statistics. Forte Plc, the largest UK hotel operator, has less than 5 per cent of the accommodation stock and a much smaller proportion of the total number of bedrooms currently available in continental Europe. In Italy for instance, hotel groups operate about 6 per cent of the total hotel rooms, whereas in France, the figure is much closer to the UK, at around 15 per cent.

{Source: Global Hospitality Resources Inc., San Diego, October 1996}

These statistics would suggest that market growth is likely to continue in parts of Europe for some years to come, as shown by the dramatic 330 per cent rise in the number of international hotel bedrooms operated by British companies in the 1980s [40].



For this reason, continental Europe has become a prime target for hotel development. However, development is taking place in the context of cultural diversity and in Eastern Europe, geo-political change and economic uncertainty. In the following sections it will be illustrated how Forte, Holiday Inn Worldwide and Hyatt are coping with these issues.

## **2B.6 STRATEGIES OF INTERNATIONAL HOTEL CHAINS FOR COPING WITH DIVERSITY**

In the middle of the 70's, in a study of firms operating in different American and European markets, managers identified a number of key success factors [86]. Most important of all was a standardised product which could be packaged, branded and distributed as effectively in export markets as it could be at home.

This approach to development has been adopted by Holiday Inn Worldwide, who are aiming to increase distribution by expanding the total number of Holiday Inn hotels in Europe. Expansion is being achieved using a brand extension strategy in which their new Garden Court economy concept features strongly. HIW are also increasing the number of core brand Holiday Inns as well as the number of Crowne Plaza hotels. This approach enables HIW to operate quality hotels in three distinctive mid-market categories ranging from economy to deluxe, where they aim to be the dominant presence in Europe. Each hotel type offers an appropriate and consistent level of service and facilities for a particular sector of the market and plans are now well advanced to more than double the number of Holiday Inns in Europe by the mid-1990s.

The question of how to achieve standardisation in heterogeneous markets does, however, raise questions about the adaptability of the product. This may require careful monitoring, as it has been argued that product standardisation can only be successfully achieved in one or two culturally different geographical areas simultaneously [82]. In expanding their hotel network, HIW are sensitive to the need to evaluate each marketplace and location separately and individually.

It is necessary to pay attention to the nature and characteristics of local demand. In doing this, HIW have become experts at brand packaging with particular reference to service skills, product quality and marketing expertise so that the appropriate Holiday Inn product is identified for any given market position and location. This approach is essential to ensure that customers recognize the Holiday Inn style and standards in geographically different locations. In summary, the basic parameters of the Holiday Inn product provide a standardised framework and market sensitivity has become a key feature of their approach to each locality.

European harmonisation provides a good example of new market opportunity combined with cultural diversity. The aim is to regulate the legislative framework relating to business while at the same time allowing member countries to preserve their rich, culturally different heritages, derived from different customs and traditions.

Nowhere is this more apparent than in the hospitality industry, where food preferences and concepts of service vary at local, regional and national levels. In this context, it is difficult to visualise standardised food and hospitality products with universal appeal across Europe.

The fact that hospitality firms operate successful global brands is particularly significant, given that food, accommodation and leisure preferences vary so greatly within Europe, let alone other international markets. Forte approaches this problem by utilising local expertise and produce in their hotel restaurant catering operations.

This can, however, create complications as managers must become familiar with local values and traditions in order to fully appreciate the cross-cultural benefits. The experience suggests that cultural diversity across Europe requires careful handling by UK and American-based hospitality firms.

In some cases, it may be more advantageous to recognise and build on the diversity of customs, traditions and preferences within the marketplace.

The **standardisation versus differentiation** debate [69] proposes that customer segments or group of countries could be offered a branded variation of the core product, as defined by the benefits sought by the different segment/country groups [39]. This may lead to the adoption of development strategies which are primarily determined by country characteristics or customer preferences.

This is certainly true if we examine Hyatt, who aim to create a service culture which closely mirrors certain company standards and customer expectations. This is achieved by requiring managers to interpret quality standards in a cultural context and by encouraging local employees to approach freely their own local culture, so that the service they provide is as natural and authentic as possible. In this way, they promote localisation and preserve the charm of individual customs and traditions.

In summary, Hyatt's approach is to design and construct hotels to predetermined standards and operate them so as to provide service at the best which is available locally. Guidance on this approach is provided in all training materials and operating manuals so that the policy of promoting the unique features of the host country is reflected in every Hyatt hotel.

This helps to ensure that Hyatt guests find interesting variations in amenities and services and that Hyatt is recognized in every country in which it operates as a company that uses a familiar cultural framework as the basis for planning and providing a high-quality product. Their ability to sustain this approach to customisation is supported by the multinational composition of the Hyatt International Corporation senior management team.

## **2B.7 HOTEL DEVELOPMENT IN EASTERN EUROPE**

In order to guide planning for development in Eastern Europe, it is currently advisable to develop a framework for identifying similarities and differences affecting the overall attractiveness of the business environment [15].

For instance, Forte Plc had been monitoring events and evaluating development opportunities in Eastern Europe for many months before the political unrest created the chain of events which began in late 1989. This activity included negotiations relating to possible hotel sites. Several of these projects, notably in Moscow and Warsaw, have involved discussions with government agencies and other parties exemplifying the complexity of implanting Western European business methods in a society undergoing radical change.

In general, hotel development in Eastern Europe is likely to be much slower than in Western Europe, with the exception of former Eastern Germany, where the French Accor Group is planning to develop 40 hotels.

{Source: Novotel Mirayia, Athens Marketing Department, 1996}

The main reason for this is that local economies are too weak to sustain major hotel development, invariably related to international tourism and business travel. Restrictions of foreign ownership of land and buildings or any problems of repatriation of profits could mean delay in hotel planning. Therefore, the first round of hotel development took place in towns and cities with established business communities rather than in locations with seasonal tourist business. Moscow has been considered as a prime target, as the existing hotels are poor by Western European standards but they achieve high occupancy and average room rates.

HIW faced a number of operational and logistical problems in establishing the Holiday Inn in Warsaw, which operates with a much higher staffing ratio than comparably sized Western European hotels in order to achieve similar standards of services and product offerings. Prior to and during the construction of the hotel, all fixtures and fittings had to be imported, and setting up a supply network also proved to be challenging since obtaining food and other supplies of the right quality is difficult.

It is still necessary to import some perishable items, although HIW have had some success in encouraging local suppliers to meet required standards and, by doing so, they are able to identify much more closely with the local community. Buying in dollars is also beneficial to suppliers who prefer them to local currency and to the hotel operator who benefits from a favourable exchange rate.

## **2B.8 MAINTENANCE OF QUALITY IN A EUROPEAN HOSPITALITY PORTFOLIO**

Forte Plc, who have a growing portfolio of European interests, are addressing control issues in several different ways. Historically, franchising was the quickest and most effective way of developing a hotel presence in the USA and, as the marketplace became more competitive, quality control became more important.

In some cases, however, motel chains were not strict enough in selecting their franchisees or in controlling quality standards and in this respect, Travelodge, which was one of the earliest motel chains and was part of the Forte portfolio, till January 1996, when it was bought by HFS Inc., was no better than its rivals.

Recent experience arising from a complete review of the American Travelodge operations has helped to establish effective measures for auditing franchised operations. The review led to a temporary loss of sales due to the exclusion of sub-standard motels from the Travelodge network. This was considered to be a necessary step in order to regain control of operating standards.

However, the Travelodge franchise network in the USA is now expanding again, under HFS Inc. new management. This experience has influenced Forte's approach, which was also bought by Granada Group in London, in January 1996, to franchise operations in Europe. For instance, the current strategy for developing chain-restaurant franchise operations is to establish a group of managed outlets first, and then to extend by adding franchised outlets to the chain.

This approach ensures that a management base equivalent to 10-15 outlets is established for the purpose of monitoring and controlling the franchisees who subsequently enter the system.

Forte has also pursued a number of European development projects such as joint ventures involving Little Chef and Travelodge in Spain. The attraction of this approach is that expansion can be achieved in collaboration with a European partner who is familiar with the domestic market and willing to share the development costs, thereby reducing capital requirements.

A similar partnership approach is envisaged for European hotel expansion during the 1990s, whereby Forte will aim to take a participating interest of between 10 and 50 per cent (preferably 20-25 per cent) of the development cost rather than fund the total project and maintain operational control through management contracts.

## **2B.9 TOURISM IN THE EUROPEAN UNION AND WORLD HOTEL CAPACITY**

### **A. KEY FIGURES 1995/1996 OF TOURISM IN THE EUROPEAN UNION**

This special section, by providing a quick overview of the most recent trends and flows on tourism at the European level as well as on world hotel industry, is another result of the author's current efforts to improve knowledge of the tourist industry and its evolving markets and simultaneously enhance the dynamism of European tourism and hotel enterprises, in order to stimulate a balanced and sustainable tourism development and to ensure a better satisfaction of tourists' needs.

Facts and figures show the rapid changes which affect the tourism market as well as the need to tackle new challenges for ensuring the competitiveness of European tourism. Inbound and outbound tourism continued to grow involving every European region. **The European Union confirmed, in 1996, its leading role as the principal area in the world as the origin or as the destination of tourist travels,** but new emerging destinations are growing faster, consolidating their position in the world market.

The threat from growing competition has become increasingly evident. Destinations such as those in **South and East Asia, and the Americas** are becoming increasingly competitive offering top quality infrastructure, facilities and service. In some cases Europe's response is a higher cost product of inferior quality.

By the end of the decade, international arrivals will increase by around 100 million, making **Tourism the world's largest industry**. It has already been estimated by the WTO that in the year **2010**, the number of people who will be traveling around the world for tourist purposes, will increase to **1 billion**, from almost **600 million that traveled by the end of 1996**. According to further estimations, people will be spending **55% more money** than they are spending nowadays, that is more than **\$ 7 trillion**, since in 1996 they spent almost **\$ 3 and a half trillion**. According to the same estimations, the tourism industry in the year **2005** is expected to **employ 338 million people comparing to 212 million which is the total number of employed people in the tourism sector worldwide, at the present time**.

Tourism is one of the fastest growing sectors of the world's economy which in 1996 demonstrated a revenue rising up to **\$ 3,3 trillion covering the 11% of the international GDP**.

{Source: WTO, International Tourism Overview-Highlights 1996, Madrid 1997}



Europe continues to be the principal destination in global terms. Directly it employs over 9 million people (6% of the labour market) and indirectly many millions of others. It represents an average of 5.5% GDP and one third of service exports. This level of achievement reflects a long-term market position of global dominance. According to WTO estimates and recent trends for 1995/1996, Tourism in the European Union, in 1996, represented 40.6% of the world's tourism market in terms of arrivals and 40.7% in terms of receipts.

Many of the countries of the EU rank high in the world's top destinations. In 1996, France remained top tourist destination in the world in terms of international arrivals and second in terms of tourism receipts, followed by Spain. Italy and the United Kingdom rank respectively fourth and sixth in terms of international arrivals. Of the top seven tourism world earners after the United States, France, Italy, the United Kingdom, Austria and Germany maintain their leading position in terms of revenue, representing a third of total world tourism receipts.

{Source: WTO, International Tourism Overview-Highlights 1996, Madrid 1997}

**Table 4, Hotels and Similar Establishments**

Number of establishments	177 835
Number of bedplaces	8 363 434
Bedplaces - estimated EU share in World total (derived from WTO data)	36.5%

The tourism foreign trade balance for the sum of the EU countries still enjoys a surplus, although it has become smaller over the years, as EU citizens traveling to non-EU countries have been growing, increasing their spending. **EU tourism receipts increased by 10% from 1994 to 1996 and expenditures rose by 8%. A third of the EU's exports in services is related to tourism services.**

**Total nights in tourist accommodation** rose steadily over the first 3 years of the '90s. Total nights fell slightly in 1993 (-1%), but considerably picked up again in 1995 (+5%) to attain new heights. Most of the growth is attributable to EU residents, with 9 out of 10 EU residents still preferring to travel in their own country of residence or other countries of the EU. Provisional figures for 1997 indicate total nights spent in registered tourist accommodation remaining near to the 1996 results. Private and non registered tourist accommodation take up an important share of nights spent by tourists in the EU.

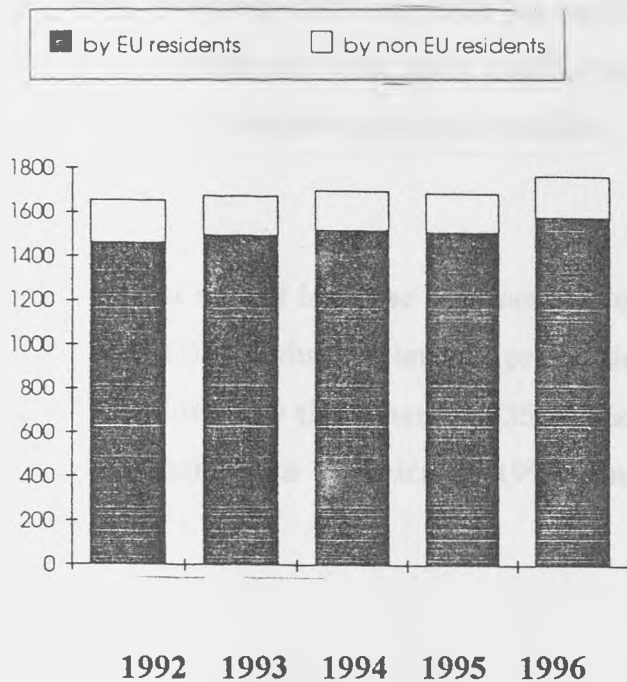
{Source: European Commission, Eurostat, Directorate General XXIII, 1996}

**Table 5, Nights spent by tourists in all types of registered tourist accommodation\***

Total nights spent	1 781 million
Nights spent by EU residents	1 589 million
Nights spent by non-EU residents	192 million

\*Except for UK which includes all types of accommodation

**Table 6, Total nights in registered tourist accommodation**



Finally, **same-day trips and short holiday trips** mainly in the same country or in neighbouring countries are becoming increasingly important market segments of tourism in the European Union.

## **B WORLD HOTEL CAPACITY IN 1996**

Before proceeding to the third part of the second Chapter, where an attempt to analyse the current marketing branding strategies through the presentation of specific hotel case studies, will be made, it is necessary to demonstrate **the evolution and dynamism of the global hotel structure in the last 16 years in terms of hotel beds and market share**, in order to better understand or try to predict the future changes of the hotel industry of the 6 major geographical regions of the world: **Africa, Europe, Americas, East Asia/Pacific, Middle East and South Asia.**

In 1996, there were almost **24 million beds in the world**, although it is difficult to give an exact figure because of problems of definition and the still mediocre quality of statistics. Between 1980 and 1996 the world capacity for accommodation, expressed in number of beds, has undergone a **46% increase, an average annual rate of 2.8%, going from 16 million to about 24 million.**

**The lowest rate of increase has been in Europe and the Americas.** In absolute terms, Europe still absorbs the largest proportion of beds (with approximately 46% in 1996), followed by the Americas (35%) and East Asia and the Pacific (13%). In fact, Europe and North America in 1997, absorb three quarters of the world's hotel capacity.

**The fastest increased in accommodation capacity in terms of bed-places has been in East Asia and the Pacific**, with an additional capacity of **2.4 million bed-places** between 1980 and 1996 and an average annual growth rate of 11% between these 16 years. **East Asia and the Pacific quadrupled its accommodation capacity between 1980 and 1996.**

{Source: WTO, Statistics and Market Research, February 1997}

In 1996, **38 countries had more than 100,000 beds each**: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, Czech Republic, Egypt, Finland, France, Germany, Hellas, India, Indonesia, Italy, Japan, Malaysia, Mexico, Morocco, Netherlands, Norway, Peru, Poland, Portugal, Romania, Russian Federation, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, United Kingdom, United States, Venezuela. The average size of the hotels in countries which are traditional tourist destinations is smaller than for new destinations, because a large proportion of the total number of hotels date back to a time when hotels were much smaller than nowadays.

**Table 7, Hotels and Similar Establishments - Accommodation Capacity**  
**(thousands of bed-places and market share)**

	Bed-places(thousands)			Market share (%)		
	1980	1985	1996	1980	1985	1996
Europe	8,542	8,637	10,860	52.5	47.3	45.6
Americas	6,436	6,940	8,405	39.5	38.0	35.3
East Asia/ Pacific	762	1,686	3,180	4.7	9.2	13.4
Africa	269	525	735	1.7	2.9	3.1
Middle East	141	254	348	0.9	1.4	1.5
South Asia	126	200	269	0.8	1.1	1.1
Total	16,276	18,243	23,795	100.0	100.0	100.0

Source: WTO, 1997

According to the International Hotel Association, **the hotel industry generated an estimated US\$ 253 billions revenue worldwide in 1996. Europe accounted for the biggest share, of 43% or US\$110 billions, followed by the Americas with US\$81 billions or 32%.**

In terms of hotel capacity, **Europe again accounts for the major share by a wide margin (171,123 or 44% of the registered hotels worldwide). The Americas come second with 87,969 (28%).** The two regions account respectively, for **43 % and 39% of the global hotel room count and 44% and 37% of bed capacity.** Asia Pacific's share of hotels is still very modest at 9%, but given **the much larger average size of hotels in the Asia-Pacific region, its share of room and bed capacity is higher at 14%.**

Not surprisingly, **Asia-Pacific** accounts for the highest staff to room ratio in the world. Its 2.9 million employees working in hotels represent over 25% of the global industry workforce of 11.3 million. Europe's share, interestingly, is only 24%, pointing to a staff to room ratio of 1:1.8 (as against Asia-Pacific's 1.8:1)

{Source: WTO, Market Research and Statistics, July 1996}

**Table 8, The size and scale of the Hotel Industry Worldwide, 1996**

Region	Revenue (US\$ m)	Hotels* (no)	Rooms ( <sup>000</sup> )	Tourism receipts (US\$ m)	Employees ( <sup>000</sup> )
Africa	6,300	10,769	384	6,900	1,259
Caribbean	7,917	5,290	165	12,412	278
Central America	1,200	1,160	48	1,476	232
North America	62,133	66,943	3,754	71,466	2,268
South America	9,845	14,576	527	11,320	1,284
Americas	81,095	87,969	4,494	95,200	4,062
North-east Asia	23,733	10,192	759	32,641	1,120
South-east Asia	12,841	13,211	565	25,419	731
South Asia	3,083	3,663	143	3,100	472
Australia & Pacific	6,602	10,082	234	11,130	539
Asia-Pacific	46,259	37,148	1,701	73,940	2,862
Middle East	9,236	4,735	179	6,700	455
EEA <sup>a</sup>	87,491	151,945	4,365	151,121	1,874
Other Europe	22,521	19,178	1,127	36,699	805
Europe	110,012	171,123	5,492	189,800	2,679
Total	252,904	311,744	12,249	372,600	11,317

\* Registered hotels. <sup>a</sup>EEA = European Economic Area, or members of the European Union and European Free Trade Association.

Source: WTO, Market Research and Statistics, 1996

## **C BRANDING HOTEL PORTFOLIOS**

### **1 HILTON HOTELS**

#### **HILTON INTERNATIONAL**

## **INTRODUCTION**

**Hilton International**, a name synonymous with the best in world-class hotelkeeping, was acquired in October 1987 by the British-owned Ladbroke Group plc for \$1 billion. Alongside its property, racing and retailing divisions, **Hilton International** has become the group's largest division with a global hotel network of 161 hotels in some 50 countries around the world, including a total of 52,979 rooms and with a further 16 hotels currently planned or under development.

In October 1996, was ranked as the 13<sup>th</sup> largest hotel chain worldwide. The company has a distinguished history, achieving and strengthening prominence well before the current phase of rapid global hotel brand development began in the mid-1980s.

{Source: Global Hospitality Resources Inc., San Diego, October, 1996}

**Hilton International** was formed in 1949 as a separate subsidiary of the Hilton Corporation with the opening of the **Caribe Hilton International**. In December 1964, with 24 hotels, **Hilton International** became an independent publicly owned company with its shares traded on the New York Stock Exchange. This agreement gave **Hilton Hotels Corporation** the exclusive right to use the name **Hilton** for hotels in the US, and **Hilton International** the exclusive right to control the use of the **Hilton** name throughout the rest of the world.

The one exception was the **Kahala Hilton** in Honolulu, Hawaii, which is operated as a **Hilton International**. The only connection between the two companies is still the jointly owned worldwide **Hilton Reservations Service**.

Three years later, in May 1967, **Hilton International** was acquired by Trans World Airlines Inc., and became part of the Transworld Corporation holding which was created in 1979. In April 1987, **Hilton International** was acquired by the Allegis Corporation, but after several months, Allegis decided to sell the hotel company to Ladbroke Group plc. Over the years, **Hilton International's** growth has been governed by a strict policy of selectivity [32]. In considering a new project, the company is trying to be sure that the prospective hotel will be an asset to the country and community, as well as a profitable enterprise for itself and the owners and will also reflect the high standards of its other hotels.

In this respect, **Hilton International** differs from most other hotel companies which often sell their reservations, operations and promotional services, and place their names over hotels which are run by managements of ranging capabilities. The latter means categorising according to the number of facilities and services these hotels provide.

{Source: Hilton Int. Marketing Department, Athens, 1994}

**Hilton International** is the only foreign hotel company with a worldwide representation to operate hotels in major cities in Japan. The company currently operates the 808-room **Tokyo Hilton International**, the 527-room **Osaka Hilton International**, the 742-room **Tokyo Bay Hilton International** and the 453-room **Nagoya Hilton International**.



In 1984, Hilton International announced that it would operate its first hotel in the People's Republic of China, the 775-room **Shanghai Hilton** which opened in late 1987. Also in 1984, the installation of **Hiltonet**, **Hilton International's** own private satellite system, was completed. This network enables each hotel to use the company's computerized reservations network and receive important messages within minutes.

**Hilton International** also operates food and beverage facilities outside its hotels in various locations around the world. The largest of these are the numerous restaurants in the World Trade Center, New York, which are exclusively run by Inhilco, a wholly owned subsidiary of the company. The outlets throughout the building include a range from full-service restaurants to fast-food counters, as well as the famous Windows on the World Restaurant on the 107th floor.

Prior to the **Hilton International** acquisition, the Ladbroke Group had already established itself as the UK's fastest growing hotel chain, with 63 hotels by mid-1987. This total had grown from a base of 3 hotels which were opened in 1973-74, and, subsequently, by acquisition of individual hotels and small chains, new developments and extensions to existing properties.

Following the acquisition, the **Hilton name** appeared in 7 new locations throughout Britain, in addition to the three established **Hilton International** hotels on London's Park Lane, in Kensington and at Gatwick Airport. The hotels are in Bristol, Leeds, Manchester Airport, London (Mews at Park Lane), London Olympia, London Regents Park and Ascot. At the present time, there are 9 **Hilton International** hotels throughout the UK, including the recent construction of the Glasgow Hilton International which opened in 1992. A group of 23 first-class hotels around the UK are now operating under the name of **Hilton National**.  
{Source: Hilton International Worldwide Directory, 1997}

Since the acquisition, **Hilton International** has organized and carried out a series of successful initiatives, notably in Japan, where sales increased by 112 per cent from 1988-90, making **Hilton** the most profitable international hotel company in Japan. However, this kind of success can not be achieved without a focus on service excellence so as to maintain the competitive advantage which the "**Hilton**" trademark provides.

### **2C.1.1 HOW HILTON ACHIEVED SERVICE EXCELLENCE**

In 1991, seven million people stayed in **Hilton's** 150 hotels throughout 47 countries, making **Hilton International** one of the truly global first-class major hotel companies. In understanding the challenge for a global service organization like **Hilton**, the first thing to recognize is the diversity of services they provide; not only a comfortable bed, but food, drink, business services, healthcare, laundry and dry cleaning, entertainment and telecommunications. In fact, **Hilton** provides over 200 basic or aiding services. So, **how do they manage to deliver customer satisfaction across this vast range of services ?** Simply, by using as effectively as possible their people, through their understanding of their guests' needs and their willingness to do just about anything that their customers want and are prepared to pay for. {Source: Hilton Int., Marketing Department, Athens, 1994}

It is already known that their customers' wants are as diverse as their customers themselves. In a **Hilton** hotel, there is the possibility of finding 130 different nationalities, each with their own cultural requirements regarding socializing, eating, drinking and sleeping. Within each nationality, the customer profile may differ from businessman to tourist or even airline crew member.

This recognition that they give the guests what they want, and not what **Hilton's** staff wants, comes in a contrast with conventional service culture in the first class hotel industry - an industry which has tended to evaluate its success by the cost of its wallpaper and its carpets or the flavour of the cuisine serviced in its, very often empty, fine dining rooms.

### **2C.1.2 THE TWO RESEARCH PROGRAMMES**

In order to define the direction in which **Hilton** would develop its services, they conducted two major studies: "**A Customer Usage and Attitude Survey**", to find what their customers thought of them and their competition and what they wanted from the ideal hotel, and an "**Employee Attitude Study**", to find out what employees thought about job content, work conditions, bosses and most importantly, what they thought the customers wanted from them. The good news from the consumers was that **Hilton** was still at the top as an international hotel chain and in the areas of **brand strength** (prestige, business orientation and efficiency) they were number one. The bad news was that they were also seen as being not very friendly.

{Source: Hilton Int. Marketing Department, Athens, 1994}.

Among the staff, **Hilton** found high **motivation and loyalty**. However, the research also showed that their staff had failed to detect and respond to recent changes in customer needs. Finally, they asked their staff what they believed **Hilton International** should be doing to address itself to its business opportunities. An amazing 74 per cent of those questioned came up with their own ideas on what should be done:

- Become more customer-oriented
- Make clear their brand presence and personality through advertising
- Provide increased training to help them to develop their ability to meet customer needs.

**Hilton**, therefore, introduced an identity programme which reasserted the importance of the Hilton name and gave them their "**Wordmark**". This and their "**Take me to the Hilton**" global advertising campaign rolled out from autumn 1989. This consumer-orientated programme was carefully introduced through video presentation, staff magazines, posters and uniform signs and badges [32]. Its simple message was that Hilton International is the natural and proper choice of seasoned discerning travelers.

{Source: Hilton Int., Marketing Department, Athens, 1994}

It emphasized that **Hilton** is customer, not product, oriented and the tone was friendly and approachable. All 54,000 employees worldwide attended launch parties and flag raisings and were presented with their own personal **Hilton** badge. This had been the first communication exercise ever undertaken with the staff at a global level. The advertising campaign, translated into 9 languages, was estimated to be seen by 54 million people worldwide and **Hilton** believes it is a serious event in hotel advertising.

As soon as the new corporate direction had been established, working parties drawn from every functional speciality, geographic area and level of seniority had started meeting to determine how to manage the process of change necessary to create a new service climate between employees and guests. They identified several options:

First, the possibility of **setting detailed service standards**, drawing both on general industry experience of critical service issues and their own recently researched understanding of what was of particular importance to the **Hilton** guest, though they did not have confidence that this method would enable them to react quickly enough to the changing needs of the guests.

Second, it was considered to establish a limited number of "**service promises**". A process of analysis had enabled them to group predominant areas of service concern to their customers into some points, for example:

- **The arrival**: the entire process of preparing for welcoming and introducing the guest into the hotel. By completely meeting guest expectations in this area, they would have covered 55 per cent of all key guest service concerns.

- **Problem solution**: A further 30 per cent of guest concerns could be met by preparing their employees to display a positive attitude to problem solution.

Since the success of meeting a guest's needs relies mainly on the individual employee, **Hilton** considered the issue of employee empowerment. The employee is the only person who gets to know what the guest wants and is in a position to respond to that need. Hilton felt that they had to give their employees the imperative of guest satisfaction.

Thus, "**The Hilton Promise**" was created, a special commitment from every **Hilton International** employee to give the kind of superior and distinctive service their guests would remember and come back for again and again.

{Source: Hilton Int., Marketing Department, Athens, 1994}

Between 1991 and 1994, every member of the company had participated in the **Hilton Promise** process. The difficulties have been significant, particularly when it is considered that in some parts of the world there are **Hilton** employees who do not read or write. As a result, very simplified pieces in many different languages had to be prepared and distributed and local implementation teams were formed to carry out the process in each hotel. The initial stage is called “**Me and My Partner**” and is a three-day meeting in which employees are encouraged to measure the quality of their own department and what they think of their conditions of work and employment. Department managers then have to face up to the results of this meeting, discussing the negatives and creating a personal action plan to address any management issues that arise.

{Source: Hilton Int. Marketing Department, Athens, 1994}

This process tries to **harmonize the relationship between the employees and their department manager**. It looks at the difference between what the employees think of their supervisor and what the supervisor thinks of the employees.

In the second stage, **the emphasis is given to the employees and they introduce a mechanism to enable them to set their own departmental service standards to ensure superior and distinctive service to all customers**.

The third stage, which particularly involves the middle management structure, **involves looking for newer and better ways in which they can challenge traditional practices and examine how their current systems can be improved. It is also a suggestion scheme**. Employees are encouraged to make suggestions. Every employee gets stickers for suggestions and as soon as they fill out the sticker card, they get a prize.

The next stage in this process of communicating in order to achieve a change in culture is **the communication that must take place with the guests themselves to determine their relative level of satisfaction with the service they receive.** Hilton's guest satisfaction system is based upon important samples of guests from every hotel, who are mailed a questionnaire in their own native language, to their home wherever they live in the world, within 2 weeks of their stay. Their responses enable the entire hotel management team to focus on the most important elements of their service delivery, to track their service weaknesses and to monitor the effects of actions that would improve their service ability. The information obtained from their guests will, additionally, provide information which the company intends to recognize as part of a future management incentive scheme.

## **HILTON'S BRANDING IMPLEMENTATION**

### **2C.1.3 PROMOTION OF SERVICE EXCELLENCE THROUGH SERVICE BRANDING**

Historically, **Hilton International's** marketing strategy was dependent on Americans traveling abroad. In contrast, the present sales and marketing direction concentrates on providing hotel services to a broader international market. Under the umbrella of their new **Hilton** masterbrand, they have recently started introducing a number of branded products. This concept is new to the hotel industry and has only proved deliverable because of their adoption of a new service culture.

Outside the United States, there are perhaps no more than half a million frequent business and international travelers. The problem is not so much attracting these people in the first place but, rather, retaining their loyalty in the long term.

Over the last 20 years, the travel industry has developed a variety of reward and recognition schemes to **encourage loyalty amongst this group of frequent travelers**, and the "**Hilton Club**" and "**Meeting 2000**" are two such ventures.

{Source: Hilton Int., Marketing Department, Glasgow, March 1994}

**Hilton International** is committed to the philosophy of empowerment and their main idea is to promote an internal culture that encourages and enables their staff to resolve the day-to-day problems that arise. Of these problems, none is more important than reacting quickly to resolve possible complaints from the customers. Work on empowerment was advanced by implementing the "**Hilton Promise**" framework and environment. In practice, this has required an effort to ensure that receptionists, concierges, waiters and chefs among others try to achieve a fully integrated standard of excellence.

Of course, in an organization with 54,000 employees, some with as many as 20 years service, excellence through technical advantages, quality and attention to customer service directly from the kitchen or the restaurant, as well as through other departments, is difficult to be achieved consistently.

#### **2C.1.4 HILTON CLUB**

Certain aspects of this work are illustrated by the "**Hilton Club**" concept, which has been specifically designed to meet the exact needs and requirements of frequent international customers and aims to integrate standards of excellence in the provision of a personalized service. The "**Hilton Club**" serves a high income-earning sector of the business and so it is necessary to provide frequent customers with a level of service which it would aspire to provide to a wider range of guests in the future.



This concept has certain unique operational features, such as the maintenance of a centralized confidential guest information database which facilitates the electronic transmission of guest information to any **Hilton** hotel prior to guest arrival. It also means that when a frequent traveler makes a reservation, the booking is made with an employee of the “**Hilton Club**”, enabling regular travelers to develop a rapport with reservations staff who know their routine travel itinerary and hotel needs.

{Source: Hilton Int., Marketing Department, Glasgow, March, 1994}

The objective is to ensure that the reservation and related arrangements are handled as smoothly as possible, protecting the guest from delays or the need to discuss forward booking arrangements with more than one person.

Membership of **The Hilton Club** is a guarantee of the very highest standards of comfort and efficiency. “**Hilton Club**” service also ensures that guest preferences are noted, so if a regular customer still prefers mineral water to sparkling water or a particular room type or reading material, they will be automatically provided. All frequent travelers also enjoy 20% discount on business centre facilities, upgrade to a superior room subject to availability, free services including use of **Health Club**, as well as complimentary spouse accommodation. In addition, all **Hilton Club** members now have access to **Hilton Int’s** new **Clubroom** service.

The **Clubroom**, **Hilton Int’s** new exclusive access lounge is open to all **Executive Floors** guests. Staffed by a dedicated manager, the **Clubroom** is a special place to relax and find assistance and business support.

The guest may find a refreshment service, available throughout the day, as well as a selection of newspapers and magazines, and a private check-in and check-out system. **Clubroom** is now available at 62 **Hilton International** hotels worldwide, in 30 countries. {Source: Hilton International Worldwide Directory, 1997}

#### 2C.1.5 MEETING 2000

Advances in service technology have enabled **Hilton** International to improve meeting and conference services, specifically in the small meetings market which grew steadily during the last part of the 1980s. **Hilton** decided to undertake a detailed review of this specific market segment and to find out what organizers and delegates felt effective provision should include.

The research involved talking to 1,000 customers and from this, **Hilton** was able to identify the distinct requirements which now form the "**Meeting 2000**" brand aimed at meetings for up to 50 people. Features include the provision of an "**eight hour**" meeting chair, designed to provide comfortable and adjustable seating, dedicated and professionally equipped meeting rooms and a meetings service centre with specialist staff who are able to offer a full range of communication services.

A **Discovery Wall** which helps the guest get his /her message across is also provided. Another breakthrough is **Blueprint**.

**Blueprint** is **Hilton's** global database for the conference planner, offering the guest:

Detailed technical plans of Hilton's function rooms

Layout plans for all meeting rooms

A Blueprint Map

The **Blueprint** global database is available on CD-rom.

{Source: Hilton Int. Worldwide Directory, 1996}

This facility also offers a much quicker and more flexible hotel registration procedure, involving flexible entry points for business delegates in some hotels, thereby preventing the need for people arriving for a meeting to gather in front of the reception. The majority of **Hilton's** UK properties are now offering the "**Meeting 2000**" service and investment is continuing so as to extend the network of hotels around the world which are able to provide a dedicated and professional small meetings service. There were a number of benefits arising from the "**Meeting 2000**" research and implementation in terms of the service technologies and systems which were put in place to develop the brand.

This means that, in hotels that have a lack of the physical infrastructure to support "**Meeting 2000**", they have at least been able to implement improvements in the form of an internal programme known as "**Service 2000**" which represents a part of the research and experience gained in developing and operating the "**Meeting 2000**".

{Source: Hilton Int., Marketing Department, Glasgow, March 1994}

## 2C.1.6 HILTON INTERNATIONAL'S "MASTER SHOT" PROGRAMME

Hilton International in 1992 launched "**Master Shot**", a service package for film, television and video companies and crews working on location. "**Master Shot**" is available at 160 hotels worldwide. *"The hotel business has much in common with the entertainment industry. In fact, a hotel is like a movie set in which our staff - the cast - is rehearsed to provide our guests - the audience - with an enjoyable and memorable experience"* said Michael Hirst, chairman and chief executive officer of **Hilton International**. **Hilton International** conducted research with film-company executives and their travel coordinators to determine the key factors affecting a film company's hotel selection, including location, services, budget considerations, flexibility, and the quick response of hotel staff, catering, storage and security.

{Source: Global Service Conference, London 1991, provided by Hilton Int. Marketing Department, Glasgow, March, 1994}.

The components of the "**Master Shot**" programme, based on findings from Hilton International's research, are as follows:

- The "**Master Shot**" manual, outlining for hotel staff the best way to meet the specific needs of production companies on location;
- Assistance from Hilton International sales offices from the start of negotiations;
- Custom-designed facility guides, tailor-made by each individual hotel;
- "**Master Shot**" managers, who will be on-call throughout the shoot to ensure that production crews get personal service;
- Production databases for each property, which will include a compendium of local information and contacts;
- Immediate arrangements for office space, parking, storage facilities, security and transportation.

## HILTON INTERNATIONAL'S MARKET SEGMENTATION IMPLEMENTATION

### 2C.1.7 HILTON INTERNATIONAL'S GLOBAL EXPANSION

**Hilton International's** ambitious global expansion plans are proceeding, marked in 1991 by the acquisition of the Dom Hotel in Berlin. Berlin's newest hotel was sold by Interhotel Group, privatized by its previous owner, the East German government. The current expansion, which the chain is calling the "*most extensive and aggressive*" in its history, was financed by a stock issue of 216 million shares carried out by **Hilton International** parent Ladbroke Group plc in order to raise 464 million pounds (approximately \$789 million).

{Source: Hilton Int., Marketing Department, Glasgow, March 1994}

Not long after agreeing to buy the Dom, **Hilton International** signed two long-term management contracts: one for a property under construction in Antwerp and another for a hotel planned in Mainz, Germany. The chain opened yet another property in Cannes on New Year's in 1992. Plans also include making **Hilton International** a major player in the field of prime world resorts. The company also signed an agreement to operate a resort in Mauritius, the chain's seventh.

In addition to Europe, **Hilton International** is concentrating its expansion in the Far East. This focus signals a shift from the chain's traditional market of Americans traveling abroad. Japanese travelers recently eclipsed Americans as the leading group of **Hilton** guests. As has already been mentioned, twenty one percent of **Hilton International** guests are Japanese, compared to 20 per cent who are American. A joint venture launched in 1991 with the Industrial Bank of Japan Ltd. and the Nippon Fire and Marine Insurance Co. Ltd. is expanding both within Japan and Central Asia.

With properties in most of Asia's capitals and major cities, **Hilton International aims at solidifying its presence in the region and moving into secondary markets.** By the year 2002, **Hilton** plans to add properties in China, Japan, Korea, Malaysia and the Philippines, in cities where it is not already represented. The company also hopes to manage hotels in Vietnam, especially now, that the US embargo is over. India is a virgin market **Hilton** would like to get involved in now that the government has liberalized foreign investment and profit laws. Potential cities include New Delhi, Bombay and Bangalore.

Two new hotels, the 365-room **Beijing Hilton** and the 124-room **Patra Hilton** in Surabaya, already have been added, in 1993, to the company's Asian portfolio. In addition to the new construction, **Hilton** also invested \$160 million in extensive upgrading of older properties, while increasing its room inventory in existing **Hilton-managed** hotels in Asia-Pacific to nearly 13,000.

{Source: Hilton International Athens, Marketing Department, 1994}

For example, the company added 200 rooms to the **Jakarta Hilton** in 1993 and another 300 rooms were added in 1994. The renovation and expansion project was estimated to \$129 million. The hotel is one of the group's largest properties. It has 1,080 rooms and 250 service apartments. Similar projects are underway in Kuala Lumpur, Seoul, Petaling Jaya, Malaysia, Singapore, Bangkok, and Shanghai. **Hilton** currently manages 28 hotels on long-term contracts throughout the Asian region. The company's Asian properties accounted for 34 per cent of its worldwide profits of \$223.7 million in 1992.

{Source: Hilton International Worldwide Directory, 1996 , Hilton International Athens, Marketing Department, 1994}

Although the Asian five-star market is widely perceived as saturated, **Hilton** is convinced that economic growth and an increase in intra-Asian travel, whether for leisure or business, will sustain the occupancy rate of new properties. Economic growth for many countries in Asia is expected to range between 6 and 8 per cent for the next several decades. According to the International Air Transport Association, 50 per cent of all air travel will be intra-Asian by the year 2020. {Source: Tourist Office, Glasgow, 1994}.

### **2C.1.8 HILTON INTERNATIONAL'S PLANS TO ATTRACT ADVENTUROUS TOURISM**

When most people think of **Hilton International**, they think of luxury hotels in major cities around the world. But the company's recent projects in Kenya and Malaysia are anything but high buildings in urban centers. These two sites fall into the hospitality industry's growing branch of ecotourism, which **Hilton** refers to as ``**Adventure Tourism**``. In one package, it offers protection of the environment, a unique lodging experience and potential for an increase in profits.

Wolfgang Maier, general manager of the Kuching Hilton in Malaysia said: *“The substantial growth the hotel industry has seen in recent years has almost exclusively concentrated on the traditional development of city hotels, airport hotels and beach resorts with many areas around the world already suffering from overbuilding. Hilton International recognized the need to diversify long ago”*. He added: *“The days of single destination, traditional beach-resort tourism are limited. As proven by the tremendous growth rate, people embarking on a vacation are looking for educational experiences during their holidays”*.

{Adopted from Hotel and Motel Management, September 6, 1993} [36].

**Ecotourism** grossed profits between \$2 billion and \$10 billion in 1992, making it the fastest growing segment of the hospitality industry. According to the **Ecotourism** Society, those numbers are expected to increase between 12 per cent and 15 per cent by the end of the 1990s. **Hilton's** newest project, the **Batang Ai Long-house resort** in Malaysia, is the first international resort within the region to promote **adventure tourism**. In addition to its view of surrounding mountains and rainforests, **Hilton** chose this site because the country's tourism objective focuses on nature.

Though the resort's first phase was scheduled to open in 1994 to coincide with "**Visit Malaysia Year 1994**", it opened in 1995. This was, however, an excellent coincidence as **it enhanced the publicity for the resort. A great number of journalists were writing about and visiting Malaysia and Hilton was able to capitalise on the promotional efforts of the Malaysia Tourist Office and Airlines.** The first phase of the resort encompassed 100 guestrooms, the construction of which was based on the traditional timber long-house concept of the region's native Iban tribes. A separate building has been designed to feature a 100-seat restaurant with an outdoor terrace, barbecue deck and function room. The function room is able to accommodate meetings of 150 people.

{Source: Catherine Lord, Corporate Affairs, Hilton Int. Watford, May 1996}

**Hilton** has already developed plans for its second phase. The resort is marketed with the **Kutching Hilton**, located a four-hour drive away. A variety of recreational activities for visitors support nature tourism and the preservation of the region's cultural heritage. They range from canoeing, swimming and fishing to jungle trekking and longboat excursions to the nearby Batang Ai National Park.

{Source: Hilton Int. Worldwide Directory, 1996}

Guests also can visit longhouse communities and attend cultural performances. The company expects the new resort to follow the success of its **Hilton Safari Lodge** in Kenya. **Hilton's** lodges there originally opened in 1973.



When occupancy rates at the lodge reached more than 90 per cent year-round in the late 1980s, **Hilton** decided to expand its Salt Lick Safari Lodge, which is located nearby, by 32 rooms. It then added the **Hilton Safari Tented Camp**, which includes a number of more primitive lodgings, in April 1992. Jon Bundy, general manager of the Kenya lodgings said: *“Kenya’s unique beach and safari combination is the obvious choice for an adventure tourism vacation”*.

{Adopted from Hotel and Motel Management, September 6, 1993} [36].

The site, located in the trees of the 28,000 acre **Taita Hills Hilton Wildlife Sanctuary** bordering **Tsavo National Park**, gives guests the opportunity to view Kenya’s wildlife within a protected environment. Activities include a hot-air balloon safari, a night drive through the sanctuary or a Kenya-style barbecue at sunset. Guests can stay in the camps or nearby Salt Lick Lodge, which is built on stilts above a wildlife watering hole. The tent’s furnishings include two beds, dressing and bedside tables, a separate bathroom and verandas to offer guests a safari atmosphere. Room rates, in 1994, were \$185 per night single occupancy, \$286 double occupancy, including taxes and services.

An additional \$7 per person, per day, was charged for the game sanctuary. Visitors also can stay at the Hilton Safari Lodge, a conference resort located a 15-minute drive away.

{Source: Hilton Int. Marketing Department, Glasgow, March 1994}.

#### **2C.1.9 JAPANESE MARKET SEGMENT (ONE OF THE HILTON'S SERVICE BRANDING)**

**Hilton's** main strategy is to continuously look for product innovation opportunities and **branding** possibilities, as they strongly believe that this activity is fundamental to their growth. In so doing, their research is focused on their customers rather than on internal development preferences, so as to ensure that new developments are designed to meet exact consumer needs and expectations.

At the present time, nearly 21 per cent of their worldwide business originates from Japan. Japanese customers have very different cultural expectations from Americans and Europeans, who are in themselves culturally distinctive groups, but with more similarities than differences. **Hilton's** strong presence in Japan, combined with ambitious expansion plans for the region and the size of the Japanese market and its growth potential, provided a firm basis for conducting research and developing a service brand to meet the exact needs of Japanese business and leisure travellers.

#### **2C.1.10 THE JAPANESE SERVICE BRAND PROJECT**

In order to identify as exactly as possible the Japanese segment needs, **Hilton** identified which of their hotels were already receiving significant numbers of Japanese guests and which hotels were located close to Japanese commercial, industrial and residential areas. At the beginning, the research was concerned with identifying the best practice within the organisation by identifying how **Hilton** hotels with a well established Japanese clientele were responding to guest requirements.

They also examined hotels in the **Hilton** network that should have been receiving a higher proportion of Japanese guests and they discovered that there was a close correlation between increasing Japanese business and the successful implementation of customised service features and facilities that Japanese guests had requested. Following that, they began an extensive consumer research programme in Japan using **Hilton** hotel database information, in order to find out what Japanese customers who travel internationally wanted their hotels to provide.

The final result of the research is the Japanese service brand, "**Wa No Kutsurogi**" Service, meaning "**comfort and service, the Japanese way**". It consists of distinctive service features and special amenities appealing to both business and leisure travellers. These include Japanese-speaking staff at the participating hotels, since Japanese travellers wish to be able to communicate with someone who understands their culture, needs and expectations and can deal with any problems which arise (the provision of safe deposit boxes, hotel information, menus, Japanese assistance phone lines etc. and safety instructions in Japanese, the provision of an Oriental food selection, often with authentic Japanese cuisine and the availability of Japanese green tea and items such as slippers, bathrobes and Japanese newspapers).

{Source: Hilton Int., Marketing Department, Glasgow, 1994}

The objective is to attract more Japanese business travellers to **Hilton** hotels. If the majority of visitors feel comfortable with the hotel service environment, the investment in brand development will have been justified by improvements in guest satisfaction and the levels of repeat and new business generated. The launch date of the **Japanese service brand** took place on the 21 October 1991.

#### **2C.1.11 STEPS FOLLOWED TO CHECK THE AUTHENTICITY OF SERVICE DELIVERY**

In order to check the authenticity of service delivery prior to the implementation phase, at the end of the research and consultation process, **Hilton** began to consider how to spread the information throughout the hotel network and how to implement customized Japanese service consistently so that it could be branded and promoted with confidence. The preparation for implementation began 12 months prior to the launch.

The process was to involve as many people as possible at different managerial levels throughout the organisation, so that through consultation, discussion and agreement, the participating hotels felt committed to the implementation plan.

The final stage of implementation involved inspection by Japanese companies situated near the hotels. A successful inspection provides a certification of the local company's confidence in the hotel's ability to deliver authentic Japanese service.

{Source: Hilton Int. Marketing Department, Glasgow, 1994}

The idea emerged from the consumer research programme and it provided an effective competitive advantage in selling **Hilton** hotels because it made possible a selling approach to develop directly from the product itself. Hilton discovered that Japanese manufacturers are used to working co-operatively with suppliers and so the idea of building a relationship by asking for their cooperation in defining and designing a product is widely accepted.

This approach was particularly helpful during discussions about the possibility of using Japanese-speaking hotel staff from Japanese communities that had expatriated. The responses received indicated that it would be less acceptable to recruit staff who had expatriated than to recruit staff directly from Japan because it was felt that people who had been living away from Japan for five years or more would be less sympathetic to the principles of providing authentic Japanese service. This indicates something of the cultural interpretation separating authentic styles which Japanese firms are willing to approve from western interpretations of Japanese service which are less acceptable and likely to be less successful.

## 2. HYATT INTERNATIONAL

### INTRODUCTION

**Hyatt International Corporation**, which currently operates or has under construction 182 hotels and resorts in 36 countries, including 104 US based properties, was ranked as the 11<sup>th</sup> biggest hotel chain worldwide, in 1996, with a total of 79,483 rooms [25,1996]. In 1991, **Hyatt** introduced a new corporate label which signifies the contemporary style and emphasis on quality in its worldwide operations. Concerning their development plans for the decade, **Hyatt** felt that a new label would help to increase their presence in the international marketplace.

In particular, they felt that a modern symbol would be an effective way of representing and describing the style and personality of the different types of **Hyatt** properties worldwide, thereby taking advantage of the key strengths of the brand name. Here is presented the philosophy of striving for excellence in service quality.

{Source: Hyatt Int. Corporation, Chicago Illinois, 1994}.

#### 2C.2.1 THE RESEARCH PROCESS FOR THE NEW HYATT LABEL

The design of the new **Hyatt** label represents the culmination of an 18-month project which was undertaken by a leading identity management consultancy firm who were asked to research **Hyatt's** identity and image in the marketplace as well as among its own employees. This involved conducting more than 1,000 interviews with **Hyatt** executives, employees, travel agents, meeting planners and hotel customers. In addition, a visual audit to examine **Hyatt** signs, uniforms, stationery, room amenities, courtesy cars and other items was undertaken.

In summary, the research showed that people think of **Hyatt** as a stylish, contemporary, innovative and high quality hotel chain and that these characteristics were absent from the old logo which was introduced in 1971 and is now thought to be dull and old-fashioned. These findings clearly indicated a mismatch between beliefs about **Hyatt** and the image presented by the old logo.

During the research, people were questioned about their perception of **Hyatt** and asked to compare the old logo with a range of other corporate logos. The answers were interesting because logos representing manufactured goods were considered to be effective, whereas the name "**Hyatt**" was much better known than the **Hyatt logo**. Consequently, it was decided to highlight the name **Hyatt** and ensure that the style of the graphics reflected consumer perceptions of the brand. The design which was selected is a stylised version of the word **Hyatt** with a symbol that represents a sunrise, crossing through the letter "A". A curved shape, wider in the middle than at the ends which gradually becomes thinner to a point, painted in red, aims to symbolise the sunrise to sunset experience of the Hyatt guest and is set against a background of dark blue and grey with white lettering. The final decision to adopt this particular design was taken after post-design research showed that it had made a much more favourable impact than the old logo [6].

Plans for implementing the new logo and achieving maximum exposure included an international advertising campaign which was scheduled to coincide with the launch in September 1990. The campaign aimed to highlight the quality of the guest experience using eye-catching photography in order to describe a "**Feel the Hyatt Touch**" theme.

Although the launch has been successfully completed, the concept of introducing a new logo on a worldwide basis is quite complex, requiring an 18-month programme to replace stationery, signage, uniforms and other materials bearing the old label. Implementation was completed at the end of 1995, as non-guest items and equipment were gradually replaced.

{Source: Hyatt Int. Corporation, Chicago Illinois, 1994}

## **HYATT INTERNATIONAL'S BRANDING IMPLEMENTATION**

### **2C.2.2 IMPROVEMENT AND MAINTENANCE OF A CONSISTENT SERVICE QUALITY**

In **Hyatt** hotels, the administrative staff are very aware that guest needs and expectations are becoming more sophisticated all the time and so, in order to stay ahead, they continually evaluate the range of services and technology available to their guests. In this respect, they are less concerned with investigating what other hotel companies are doing, as they try to plan ahead using information derived from their own customers, who represent a particular segment in the international market for hotel accommodation. In practice, this means developing a worldwide customer orientation, as the only alternative would be to conduct consumer research on a global basis. **Hyatt** tries to maintain their level of customer awareness by encouraging managers to talk to people whenever and wherever they travel.

In this way, they manage to collect information by having an informal conversation with a business traveler which can provide an important indication of service quality expectations. They have also found it helpful to make notes which may later develop new ideas and initiatives for increasing guest services.

{Source: Hyatt Int. Corporation, Chicago, Illinois, 1994}

**Hyatt's** aim is to develop a service culture which closely reflects certain standards and customer expectations. However, they do not say that in Bali, for example, the telephone operator should greet callers with a standardised answer. They want the operator to make use of the local culture so that the service is as natural and authentic as possible. In this way, **Hyatt** promotes localisation and preserves the charm of individual customs and traditions.

They should be reflected in every **Hyatt** hotel so that the guest is aware of the unique features of the host country. In summary, their aim is to design and construct hotels to predetermined **Hyatt** standards and operate them so as to provide service which fits in the best way with the local customs. For example, they serve only fresh juices in their hotels, so in Bali they do not serve orange juice because it is not available locally. Instead, the fresh juice will be mango which is local and typical of the produce available in Bali.

**Hyatt's** policy in altering the way guest services are produced in order to be unusual also includes interior design themes because **Hyatt**, unlike other international hotel chains, deliberately seeks to avoid design and service concepts in a standardised way. Consequently, **Hyatt** aims to ensure that all their services and amenities include national characteristics.

In Japan, for example, **Hyatt** provides Japanese slippers for the guests to use in their bedrooms and there are variations in the layout of the bathroom to reflect a Japanese style.

This helps to ensure that **Hyatt** guests find interesting variations in amenities and services and that **Hyatt** is recognised, in Japan and in every other country in which they operate, as a company that uses a familiar cultural framework as the basis for planning and providing a high quality product.

Their ability to sustain this approach to customisation is helped by the multinational composition of the **Hyatt** management team. For example, at the head office in Chicago, senior corporate staff represent eight different nationalities from Europe, Asia, Pacific and America.

In determining the appropriate quality standards for different cultural settings, **Hyatt** does not believe there are any particular difficulties because they establish clear operating standards. The approach to this can be shown by the fruit juice example mentioned earlier.



They specify "**fresh**" juice but the type and range of fruit juices served by individual hotels depend on what is locally available in the host country. The general manager of each hotel is expected to ensure that **Hyatt** policies on quality standards are fully implemented, as they prefer not to use quality specialists. This is because most of their general managers are very experienced and they trust their business sense.

They understand the key quality points and if any of them are not consistently achieved, it is soon found out. Information is transferred quickly because their decentralised approach prevents management organisation and reporting from becoming too bureaucratic. {Source: Hyatt Int. Corporation, Chicago, Illinois, 1994}

This has enabled **Hyatt** to develop a responsive organisation that reacts quickly to customer and employee needs. **Hyatt** policies and procedures encourage individualism and ability in planning stylishly, implementing and controlling guest services and by investing in managers who are encouraged to interpret quality standards in a cultural context, they are also investing in a commitment to quality in **Hyatt** hotels around the world.

In addition, **Hyatt** has become the leader in business travelers research having already recognized the need to create and offer unique services to their business segment by constructing rooms which adhere to the international business standards. In this way, their clients feel as if they are in their own office. There is a wide range of services offered, such as fax and computer facilities and low telephone charges.

### 3. HOLIDAY INN WORLDWIDE

#### INTRODUCTION

**Holiday Inn Worldwide (HIW)**, owned by UK Brewers Bass plc., according to 1996 data [25], is the second largest and most successful hotel chain in the world, operating 2,096 hotels with over 369,738 bedrooms in 60 countries. In 1990, when Bass announced the completion of its £1.25b acquisition of **Holiday Corporation's US Holiday Inn** business, Bryan Langton said: *"This is the culmination of the Bass strategy of becoming an international force in the hotel business. It is our aim in the 1990s to build the Holiday Inn brand into an unassailable position in the global hotel industry."* He added this would involve *"a complete review of the business"* to ensure the **Holiday Inn product** *"meets the customers' needs through the 1990s"*, with a particular emphasis on developing the mid-scale brands in North America. The main focus over the next 12 months, Mr Langton added, would be to launch the luxury **Holiday Inn Crowne Plaza brand** in major cities around the world and continue the development of Garden Court in Europe .

{Source: Holiday Inn Worldwide Directory, 1996}

Its hotels are grouped into three regions, the second largest of which is Europe, the Middle East and Africa (EMEA). In 1989, the EMEA region announced ambitious expansion plans for 1990 involving the construction of many new hotels at locations throughout Europe. The autumn 1990 statistics on **HIW** operations in the EMEA region showed a portfolio of 105 hotels located in 25 countries with more than 20,000 bedrooms and over 4,000 employees. The portfolio consists of 3 hotel types, 2 of which represent an extension of the highly successful **Holiday Inn core brand**.

{Source: Holiday Inn, Marketing Department, Athens, 1994}.

These are the top of the range Holiday Inn "**Crowne Plaza**" and the more recently introduced, economy, Holiday Inn "**Garden Court**" hotels. In United Kingdom, there are currently 7 **Garden Court**, 15 **Holiday Inn** core brands as well as 4 **Crowne Plaza**, expanding from Aberdeen to Kent. Faced with the challenge of expanding this portfolio, here are presented some of the priorities and opportunities which are foreseen by Holiday Inn executive staff for **HIW's** European operations.

{Source: Holiday Inn Worldwide Directory, 1996}

## **HOLIDAY INN'S BRANDING IMPLEMENTATION**

### **2C.3.1 HOLIDAY INN CORPORATION HOTEL PRODUCT BRANDS**

Perhaps the major organization that puts forward **branding** in North America is the **Holiday Inn Corporation**. Having developed a major mid-market chain throughout the USA in the late 1950s and early 1960s, **Holiday Inn** became synonymous with modern purpose-built three-star accommodation located to serve the car-borne US public. But in the 1960s and 1970s, new chains emerged, or expanded, to serve the increasingly mobile international and domestic markets and the Holiday Inn product became less appealing, particularly to the corporate traveler. Other hotel chains were launched, better suited to the demands of the increasingly mobile and demanding public, both business and leisure. The traditional Holiday Inn hotel began to look dated in a rapidly changing international hotel industry and it soon recognized the difficulties of trying to serve and satisfy all markets through one product or brand.

In the late 1970s, **Holiday Inn** identified the need to offer the hotel guest a choice of properties to reflect the differing needs of different market sectors. This gave rise to a **six-brand chain** as a strategy for future development. A brief description of these brands demonstrates the concept of **Holiday Inn's** strategy to expand internationally.

The **Crowne Plaza** brand was introduced in an attempt to regain business, both in the USA and internationally, that had been lost by **Holiday Inn** properties to the four-star and five-star chains such as Intercontinental and Sheraton that were developing worldwide in the late 1970s and 1980s. At the same time, a number of former **Holiday Inn** properties were upgraded to become **Crowne Plazas** while other Holiday Inns were withdrawn or sold.

The original **Holiday Inn** hotel concept or "**core brand**" gained international recognition for achieving consistently high standards in product design and service. Early innovations pioneered by **Holiday Inn** were remote-controlled television and direct dial phones and, in the 1990s, a uniquely sophisticated satellite communication network providing instantaneous information transfer between North America and Europe. Standard features include spacious guest rooms with large beds, private bathrooms and a minimum 16-hour room service. Every hotel has a variety of meeting and conference rooms, and most offer a range of leisure facilities as well as the convenience of free car parking.

**Hampton Inns**, launched in 1984, were developed without restaurant facilities, but offering just a basic bedroom facility for the traveler or the family on a limited budget. All of these properties, 80 in number, were located in the USA. The Holiday Inn Corporation hoped that the market for **Hampton Inns** would be **Holiday Inn** "**regulars**" who used **Holiday Inn** accommodation when they were on business and the more economical **Hampton Inns** when traveling for leisure as a family unit. In this way, chain loyalty was retained through a different brand.

A relatively new feature on the hotel scene was the all-suite hotel. This has been developed by **Holiday Inns** in the USA with **Embassy Suites** and the idea has been taken up by Quality Inns and other chains. The **Embassy Suites** hotel comprised multiple units of a sleeping area, a living or office area and simple kitchen facilities.

Public areas, large meeting rooms and multiple restaurants were dispensed with, reducing staff costs and concentrating on the major revenue generator of the hotel: **the bedrooms**. Marketing costs were also reduced as guests tended to stay longer and overall staff levels were reduced.

The basic room rate charged could be higher than that for a standard hotel room as a suite is perceived to be a higher value product. The all-suite product was generally aimed at the business segment, the longer stay hotel guest and the budget conscious family with young children for whom a suite of rooms with a cooking facility was often more preferable and less costly than a more traditional hotel environment [97].

- The **Holiday Inn Crowne Plaza**, which is a superior hotel offering a range of amenities and facilities designed specifically for the upper-middle market. **Holiday Inn Crowne Plaza** hotels are located mainly in major city centres, and in 1991 there were around 50 of these hotels worldwide, offering more than 16,000 rooms. By the end of 1996, it was estimated that the number had increased to more than 100.

- The original "**core brand**" **Holiday Inn** concept.

- The **Holiday Inn Garden Court** is a newer type of **Holiday Inn**, introduced specifically for the European market in 1990. Typically offering 100 guest rooms, they are designed to appeal to price-conscious business and leisure travelers who nonetheless expect contemporary lodging and service standards. These hotels feature the standard **Holiday Inn** bedroom design together with a compact public area, small meeting rooms, a fitness area and an informal restaurant and bar. There were over 100 **Holiday Inn Garden Court** hotels in Europe by the end of 1996.

- The latest extension to the **Holiday Inn** brand portfolio is the **Holiday Inn Express**, designed specifically for the rapidly growing upper-economy segment of the middle market in North America. There are plans to open more than 250 of these hotels in the USA by the end of the 1990s. **Holiday Inn Express** hotels offer among other features a buffet-style breakfast, ice machines, vending as well as a lobby equipped with a large-screen television. Small meeting rooms and fax facilities are also available.

At present, there are four types of **Holiday Inn** hotel and two **Holiday Inn** resorts, all of which feature attributes which are characteristic of the "core brand" identity. They are:

**Table 9: Holiday Inn Corporation hotel product brands, 1996**

Brand	Type	Number of hotels		
		USA	Elsewhere	Total
Crowne Plaza	Upper-middle market	-	More than 100 in 1996	-
Holiday Inn	Traditional mid-market hotels	1,493	215	1,708
Garden Court	Lower-economy market segment	-	More than 100 in 1996	-
Hol.Inn Express	Upper-economy segment of mid-market	-	More than 250 in 1996	-
SunSpree Resorts	Full-service mid-market leisure hotels (USA only)	-	-	-
Crowne Plaza Resorts	Full-service family leisure hotels	-	-	-

Source: Holiday Inn Worldwide Directory, May 1996

Two further brand extensions were announced in October 1991 to coincide with the launch of **HIW's** resorts strategy:

- **Holiday Inn SunSpree Resorts** (USA only) are positioned as full-activity hotels in preferred leisure destinations. They provide a comfortable, casual, affordable, family-oriented environment for the middle-market traveler.
- **Holiday Inn Crowne Plaza Resorts** are "marquee" properties, delivering a full-service resort experience. Located in prime resort destinations, they will feature a variety of restaurants, shops, fitness and leisure facilities and many other family-oriented services.

## **HIW'S MARKET SEGMENTATION IMPLEMENTATION**

### **2C.3.2 HOLIDAY INN BUSINESS DEVELOPMENT IN EUROPE**

According to **HIW** Marketing Department, the most important priority for the EMEA region is to **ensure continued growth and improvement in profitability**. Since the acquisition of the business, substantial progress has been made in these respects and their efforts will continue, as these are not viewed as short-term objectives. Having achieved higher profit margins through higher occupancies and sales, **HIW's** second priority is to achieve increased distribution by expanding the total number of **Holiday Inn** hotels in Europe. This is being implemented by using a brand extension strategy in which their new **Garden Court** economy concept features strongly. Twenty three of these hotels are already operating successfully and a larger number are currently under construction. **HIW** is also increasing the number of their core brand **Holiday Inns** from the current total of 80 hotels, as well as the number of **Crowne Plaza** hotels of which there are currently at least 24, 4 of which are situated along UK.

{Source: Holiday Inn Worldwide Directory, 1996}.

This approach enables HIW to operate quality hotels in 3 distinctive categories ranging from **economy to deluxe**, where they aim to be the dominant presence. Each hotel type offers an appropriate and consistent level of service and facilities for a particular sector of the market and plans are well advanced to more than double the number of **Holiday Inns** in Europe by the end of the 1990s. This would give **HIW** in excess of 200 hotels from the base which they inherited of something under 100 hotels.

In order to successfully repeat standardised brands in different European locations, **HIW** is very aware of the fact that each marketplace has to be considered with its own advantages.

The differences, regarding local demand, for example, between Dijon in France and Warrington in the UK, which are the locations for 2 of their new **Holiday Inn Garden Court** hotels, are quite pronounced and it would be unrealistic to pretend that market conditions are exactly the same in each place.

It is important to pay attention to the nature and characteristics of local demand in every location. **HIW** believes in perfecting brand packaging in the areas of product quality, service skills and marketing expertise so that the appropriate Holiday Inn product can be identified for given market positions and locations. It is essential that their customers recognize the Holiday Inn style and standards in geographical locations as diverse as Telford in UK which opened in 1989 and Constantinoupolis in Turkey which opened in 1989 as well. Although the basic parameters of the Holiday Inn product provide a standardised framework, market sensitivity has to be a key feature of their approach to each locality.

It is certain that economic conditions and the EMEA throughout Europe have an impact on the development of a business strategy but it is difficult to generalize as the extent of the effect varies between countries within the region.



The UK, for example, experienced recession in 1992 whereas the German economy kept rising, although the same worldwide macroeconomic conditions exist for both. Outstanding results were obtained in 1989 in Paris and Madrid but it would be difficult to have a uniformly good performance throughout the region as economies do not react in the same way at the same time. Consequently, **HIW** believes that wide geographical distribution reduces the vulnerability which is associated with operating on a national basis and helps to minimize the impact of exchange rate movements which are often unpredictable and can take place very rapidly.

{Source: Holiday Inn, Marketing Department Manager, Athens, 1994}

For these reasons, it is desirable to take a long-term view of the key factors that are likely to affect economic prospects in any given country. Since Bass sees **HIW** as a long-term investment, a period of 10 years or more will provide a more realistic time horizon for planning than annual economic performance results. However, short-term economic trends often provide good indicators of business opportunities. For example, the fact that the building industry in the UK has also been in recession for the past few years, suggests that this is a good time for acquiring and developing hotels in conjunction with construction companies.

Regarding further development in Europe, many opportunities have existed in Eastern Europe for the past few years and **HIW** has been evaluating the prospect of development opportunities there. As one of the world's major cities with more than 9 million residents, Moscow will continue to retain its status as an international city regardless of the outcome of the sociopolitical unrest.

In calculating the value of the rest of Eastern Europe, former East Germany is the most promising prospect, as industrial and economic reconstruction has been taking place for some years now and according to European Community's economic estimations will continue to do so. It is difficult to foresee a similar rate of change in other Eastern European countries, although Hungary and Czechoslovakia are making good progress, partly because the people in these countries remember the time when they enjoyed relatively free economies.

Poland's economic recovery is still prevented by industrial decline and reinvestment and modernisation programmes have not been very effective so far. The former Soviet Union faces even greater reconstruction problems. It is believed that these changes will take 20 years or more to implement.

However, despite that, there will be good hotel investment opportunities in the CIS (Commonwealth Independent Societies) during this decade which HIW will appraise and participate where appropriate. {Caterer and Hotelkeeper, 7 September 1989} [102].

### **2C.3.3 HOLIDAY INN HOTEL SERVICES FOR THE INTERNATIONAL BUSINESS TRAVELLER**

**Holiday Inn** staff do not consider it to be more difficult to provide a service which is acceptable to multinational hotel guests because their guests are used to hotel standards in their own countries as well as the standards which are adopted by international hotel groups.

In fact, staff provide the hotel with more detailed information than might be expected. However, it is much easier for staff if guests are prepared to tell them when problems arise. In such cases, the responsible manager will talk to the guest to determine in which way to solve the problem.

The Dutch and English tend to write letters of complaint or write their complaints on a comment card rather than reacting immediately. Germans used to complain at the time they felt aggrieved, while the Japanese are most unlikely to complain immediately, preferring to write a letter of complaint afterwards. Americans are much more straightforward in that they will nearly always ask to see the duty manager, something **which Holiday Inn** hotel prefers as it gives them an opportunity to try to resolve the situation at once.

{Source: Holiday Inn, Marketing Department, Athens, 1994}.

In monitoring guest satisfaction levels, **HIW** primarily uses guest questionnaires which are later gathered in a summary form. This helps them to evaluate how guests feel about individual bedrooms so that they can monitor requirements in specific parts of the hotel.

They always look at additional comments in their effort to ascertain how well the hotel has met guest expectations. If, for example, a guest complains about bedroom fixtures such as the efficiency of the mini bar, they try to react quickly because improvements are often easily made and equipment should always be functioning in such a way that common expectations are met.

When **HIW** receives criticism about an aspect of service, their initial effort is to identify the source and circumstances which have caused the criticism.

Sometimes unavoidable problems do arise, especially if a new member of staff is feeling nervous. If this occurred again, the responsible departmental manager would review the nature of the service problem in case it would be a lack of training or caused by a personal attitude. This diagnosis would help them to identify an appropriate response which could include additional training, support and encouragement if the problem arose due to inexperience. Such a response is critical because **HIW** is in the business of providing personal and consistent service. In order to approach their employees in this way, **HIW** adopts an employee appraisal system in some hotels, although a formal procedure is limited to managerial and supervisory staff. **HIW** has tried to take a more positive approach to appraisal by concentrating on the achievement of goals rather than the identification of weaknesses, which tends to happen if appraisal interviews are only undertaken annually.

Naturally, people do not wish to discuss the things at which they are not good and since **Holiday Inn** hotels are aware of that, appraisal requires periodic follow-up to check on progress and on minor points which may have been forgotten or neglected.

What they do in some hotels is to identify and agree on improvements and then the staff are invited individually by the executive personnel on a voluntary basis to report monthly on the progress they are making. In this way, the executive personnel can stay involved and, if necessary, provide guidance and support in order to ensure that the particular objectives are achieved.

Since **HIW** has realized so far that international business travellers will change in the years ahead, they have also noticed that information and the lifestyle of their guests is affecting their expectations of the hotel. In trying to meet their business travelers' rapidly changing desires and needs, **HIW** has developed exclusive privileges and awards by introducing **Priority Club Worldwide**.

The **Holiday Inn Priority Club** recognizes the loyalty of business travelers by providing exclusive hotel benefits and exciting award options. At hotels in Europe, the Middle East and Africa, base benefits include:

- Guaranteed standard corporate rate\*
- Express reservations and express check-in and check-out
- Extended check-out time until 2.30 p.m. upon request
- Family stays **FREE**, for up to 4 people in the same room when the guest pays corporate rate
- Weekday newspaper **FREE**
- Personal cheques cashed for up to US\$200 or local currency equivalent per stay
- 20% discount on specific hotel business services
- Special **Priority Club** rate for business and leisure car rentals from Hertz up to 30% discount

\* excludes Holiday Inn Garden hotels in South Africa and specific fair periods

{Source: Holiday Inn Marketing Department, Athens, 1996}

As many of their regular hotel guests travel widely, their experience sometimes supercedes the **HIW** staff, who must adapt to a service environment with more pace and style. This represents a challenge for the hotel and the way in which it operates.

**HIW** is responding by attempting to ensure that they are sensitive to the remarks made by guests to members of staff which are automatically discussed at departmental level. Where it is appropriate, a follow-up response is implemented by the **HIW** "**together we are**" scheme operating in the hotels.

This is coordinated by a group with two or three staff representatives from each department who attend monthly meetings to discuss ideas which have been raised by guest comments or staff observations. The main purpose of this scheme is to help ensure that they are going to meet their guests' future needs.

They are continuously trying to inform staff about who the guest is and what his needs are. They also try to build team support which is crucial in the delivery of good service. For example, if a waiter goes into the kitchen and asks the chef for a food order, they enter into a guest-supplier relationship. They are trying to promote this idea throughout the hotel in order to develop awareness about how guests feel. In order to develop this concept further, **HIW** has also successfully experimented with cross-exposing individual staff members to the work of other hotel departments. Staff are put temporarily into another department (a housekeeper in the reception area for example).

Traditionally, these are two departments where differences of opinion occur and by cross-exposing staff in this way, they have come to appreciate job difficulties and constraints by learning from each other. This helps a great deal and it gives an insight into how smoothly the hotel is running.

The job of a chambermaid is not so interesting and if they have the opportunity to look into other departments, it helps people to see more clearly for themselves that **HIW** staff are mutually dependent in supplying an integrated service to the guest.

{Source: Holiday Inn, Marketing Department, Athens, 1994}

Similarly, if a member of staff has an idea for making an improvement to an existing system or procedure, they encourage him or her to evaluate it before proposing it by itemising the advantages and disadvantages, including cost implications. This is then discussed within the department and, if it still meets with approval, it will be given a trial. In this way, a lot of things have been changed, for example, design and layout in the reception, kitchen and restaurant have been influenced by staff suggestions. One of **Holiday Inn's** recent projects and innovations is the establishment of their University. Since **Holiday Inn** want to make sure that their staff remain well informed regarding the continuously changing desires and needs of their customers, they have developed courses which introduce the trainees to the latest evolutions of Holiday Inn brands' standards, such as purchasing procedures, design and construction concepts and other operations.

## 4. FORTE HOTELS

### INTRODUCTION

**Trusthouse Forte** (THF) was created in May 1970 after the merger of **Forte Holdings Limited** with **Trust Houses**. **Trust Houses** were originally a group of 200 traditional inns and hotels but, before the merger with **Forte Holdings Limited**, had already started to build the **Posthouse** hotel chain and had exhibited an interest in the **Travelodge** chain in the USA. In 1962, Forte Holdings became public, operating at that time 40 hotels, restaurants and catering establishments. With the merger of the two companies, **THF** managed to cover an important share of the UK hotel market, though the hotel business expanded further with the acquisition of 35 hotels with a total of 6,438 bedrooms from J. Lyon and Co., in 1977. This acquisition cost almost 4,000 pounds per room while if they had been developed from the base, would have cost about 20,000 pounds per room.

After the acquisition of Lyons Hotels, **THF** continued to expand within the UK hotel industry [91], mainly through acquisition, with some disposals too. Some of the acquisitions included Imperial Catering and Hotels from Hanson Trust in 1986, with a total of 30 hotels and Kennedy Brookes hotels and restaurants enumerating 24 hotels in 1988 [24]. During the 1970s and 1980s THF acquired hotels outside the UK. In 1973, the **US Travelodge** chain was purchased as well as a number of prestige international hotels in a variety of locations. **Forte Plc.**, London, in January 1996, decided to sell its **450** US based **Travelodge** hotels (**33,000 rooms**) for **\$169 millions** to HFS Inc., New Jersey, National Lodging Corp., New York, and Motels of America Inc., Chicago. HFS spent \$39 millions to acquire the **Travelodge** brand as well as the franchise system in North America, which is about **450** hotels and motels. National Lodging Corp. spent \$98 millions to buy 16 hotels and motels including 2,900 rooms and additional interests in 96 more motels. Motels of America spent \$32 millions to acquire 19 motels.

**Forte Plc.**, London, was also bought by Granada Group, London, in January 1996, one of the major groups in the field of electronics worldwide. Granada spent \$5,8 billion to purchase **Forte Plc.** and created a new company for the hotel stock market, which was named Forte Hotels. Granada Group planned to sell 17 of the **Exclusive** hotel portfolio while an important number of smaller companies seem ready to be bought, too. After this critical decision for **Forte Plc.** to sell its **Travelodge** properties to HFS Inc., the company dropped down to the 14<sup>th</sup> position, in October 1996, from 9th where it used to be till January 1996, in terms of room capacity and hotel properties worldwide. In 1997, **Forte Hotels** in UK own 170 hotel properties, 81 under the **Forte Posthouse** brand, 61 under the **Forte Heritage** brand and 27 other **Forte Hotels**, including 2 **Forte Crest Hotels** at Gatwick and Heathrow, respectively.

{Source: Forte, London Sales Office Leisure Marketing, March 1997}

The **Travelodge** chain in 1997 is divided in **four** distinct brands. The core brand, **Travelodge Hotel**, **Travelodge Suites** and **Thrifllodge** brand:

**Travelodge** is still the best value in lodging. The premier economy lodging company since it began in 1946, currently has more than **600** locations in North America, South America, Great Britain and Europe. It is one of the favorite places to stay for business travelers, traveling families and senior citizens because it is the best value for their money.

**Travelodge Hotels** are full-service accommodations that feature restaurants, lounges, gift shops, pools and meeting and banquet facilities. With extra amenities, executive floors and work areas, **Travelodge Hotels** are an extension of the **core Travelodge brand**, designed to help match consumer needs with product services and facilities. Located at business, resort and airport destinations, **Travelodge Hotels** cater to travelers who want the best in hotel value.

**Travelodge Suites** are another extension of the popular **Travelodge** brand. These properties have been designed for travelers who desire an economy product with the added convenience of an additional living room area or a second room, without having to pay for the added cost of a lounge or restaurant on the premises.



**Thriftlodge** is a division of budget accommodations. Each **Thriftlodge** offers basic value for the user's money and services travelers on the road or on a budget.

{Source: Travelodge International Travel Directory, San Francisco, October 1996}

The **UK Travelodge** chain expanded in the late 1980s and in 1997 counts about **100** newly built hotels. In this way, **Forte** managed to become one of the largest hotel companies worldwide but at the same time had a quite heterogeneous hotel portfolio [91].

Despite the fact that **THF's** hotel sector expanded mainly through acquisition, the group succeeded organic growth through capital investment in existing establishments as well as through the construction of new hotels. A long term goal was to achieve a 50/50 profit divided between UK hotels and other hotels worldwide, though with the UK acquisitions this target became less possible in the short term [24].

## **FORTE'S BRANDING IMPLEMENTATION**

### **2C.4.1 FORTE'S HOTEL CHAIN BRANDS**

In the following sections, it will be demonstrated how **Forte** developed and implemented the **branding theory**, before it was bought by Granada, in January 1996, in order to achieve a quite homogeneous hotel portfolio.

**THF** was the first UK based hotel company to offer a national and relatively consistent hotel chain brand introducing the first generation of **Posthouses**.

The second generation of **Posthouses** was added to the brand in the 1980s but they were positioned at a higher market level. In the middle of 1980s, **THF** initiated the rapid development of the hard **Travelodge brand**, but was still far enough from being able to present a specific range of hotels. In 1988, though most of the major hotel groups had adopted brand strategies or multi brand strategies, **THF's** philosophy was not to follow a set product design for a hotel.

Nevertheless, the company had identified the diversity of hotels within the group as well as the need to develop a four-star brand and announced the introduction of the **Forte** brand which was further expanded in Europe and America [24].

In 1989, **THF** announced a more discernible range of brands and collections. Collections were used to place hotels of a similar nature within more discernible groups and simultaneously permit them to preserve their individual identity [24]. This range of **THF** brands and collections is presented below:

**THF Brands and Collections, 1990**

Five star	THF Exclusive Hotels	Collection
Modern four star	Forte Hotels	Brand
Modern three star	Posthouse Hotels	Brand
Budget hotels	Travelodge	Brand
Older four star	Forte Classic	Collection
Older three star	THF Heritage Inns	Collection

{Source: [63] }

In 1990, **Forte** tried to capitalize on Bass plc. decision to sell its 43 **Crest Hotels**. **Crest Hotels** were a three and four star “**hard**” brand, traded within the Automobile Association which offered a highly consistent range of services in various locations within city centres or on main motor ways. They originally cared for the **business and short break segments**, having established, till 1990, 50 hotels in Europe. Therefore, it was a well recognized brand which was worth further developing [63].

**Forte** decided to change the four star brand to **Forte Crest** as well as the collections: Forte Classic to **Forte Grand**, THF Heritage to **Forte Heritage** and THF Exclusive Hotels to **Exclusive Portfolio**. Simultaneously, the company changed its corporate name to **Forte** managing to maintain its brand awareness and also adopting a family brand strategy.

Between the three hotel brands, that of **Crest**, **Posthouse** and specific city centre hotels owned by **Forte**, the criteria to regroup them in two redefined brands were as follows:

- a) Range of services: formal or informal
- b) Location: city centres or out of city
- c) Basic use orientation: leisure or business
- d) Physical characteristics: modern or traditional

All the modern hotels were placed within **Forte Crest** or **Forte Posthouse** brands while the traditional hotels like Hop Hole, Unicorn, Plough and Harrow as well as Manor added to the **Heritage Collection**. Grimsby, Coventry, Glasgow, Welwyn, Exeter and Lytham hotels were considered for disposal, since it was decided that these hotels did not fulfill the brand specifications [41]. In 1997, Grimsby, Coventry, Glasgow are part of the **Forte Posthouse brand** while Exeter is under the **Forte Heritage brand**. **Forte's** complete rebranding exercise which took place in summer of 1991, is thoroughly presented in Table 10.

The company by implementing the rebranding exercise, managed to redefine the **Posthouse** and **Crest brands**. The latter was later transferred under the **Heritage and Posthouse brands**.

At the present time, **Forte Posthouse** offers a limited range of services in convenient motorway locations targeted to families and business guests. **Forte Heritage** offers a higher and more sophisticated range of services responding efficiently and rapidly to the needs of the business guest and are situated in city centres.

## 2C.4.2 EVALUATION OF FORTE'S REBRANDING EXERCISE

The **benefits of branding** appear to be considerable for specific segments of the total hotel market. UK based hotel companies that wish to expand in Europe may benefit from gaining experience from branding in domestic markets before deciding to enter and compete other markets abroad with greater competition and risks. Some of the benefits of the rebranding exercise are identifiable and hereby presented:

- a) The **rebranding exercise** gave Forte the opportunity to redefine the range of services within **Crest**, and currently **Heritage**, and **Posthouse** in order to meet the needs and desires of the their guests.
- b) The **use of brand specifications** may allow the hotel to measure the service provision more precisely and may help the financial control within or even between the hotels.
- c) By placing hotels into more **homogeneous groups**, guests may **find it easier to select a hotel brand or collection that meets their needs**. In this way, hotel guests are more likely to buy again the same brand knowing that they will experience the same range of services, **becoming loyal to the brand**.
- d) By managing to make the hotel user identify and buy again the brand that meets his/her needs, the demands on **hotel services are likely to be less diverse and more consistent**.

- e) The **introduction of brand names** across hotels that in the past operated under individual names may benefit from **enhanced market recognition**.

The **rebranding exercise** was completed by the introduction of new **product brands**. These brands related to the needs of the various market segments they serve such as **short break, conference and meeting, incentive travel** as well as **frequent users**, have their own specifications.

Theory supports that **physical consistency is of great importance to hotel branding**, Slattery 1991, [83]. However, in **Forte's** case, the main brand attributes of **Posthouse and Heritage brands** seem to be **range of services and location**. The lack of new construction at middle and upper market levels emphasizes the need of the two brands to differentiate their brand attributes **based on the needs of target market segments** than offer **standardized facilities**. The number of hotels that were transferred to **Forte Crest and Forte Posthouse brands**, in 1991, were **45 and 53** respectively.

**Table 10 : Forte's Rebranding Exercise, 1991**

Crest	Other THF Hotels	Posthouse																				
<div><div>(a)</div><div>Basingstoke Bolton Bournemouth Carlisle Corby Derby Dover Erskine, Glasgow High Wycombe Hull Luton Peterborough South Mimms Taunton Walsall</div><div>15</div></div>	<div><div>(b)</div><div>Excelsior, Birmingham Airport Roebuck, Stevenage Swan Nest, Stratford</div><div>3</div></div> <div><div>(e)</div><div>Apollo, Amsterdam Forte Aylesbury Conway, Belfast Albany, Birmingham Forte Brighthouse International Dublin Airport Forte Exeter Forte Queens Farnborough Guyana Pegasus, Georgetown Albany, Glasgow Excelsior, Glasgow Forte Hamburg Forte Hanover Hildesheim Cavendish, London Excelsior, Manchester Forte Nottingham Forte Swansea Wessex, Winchester</div><div>15</div></div> <div><div>Forte Posthouse</div><div>a,b,c</div></div> <div><div>Forte Crest</div><div>d,e,f</div></div>	<div><div>(c)</div><div>Alveston Ashford Birmingham Brentwood Cambridge Cardiff Chester Coventry Croydon Edinburgh Epping Fareham Hampstead Havant Haydock Hemel Hempstead Ipswich Lancaster Leeds/Selby Leicester Liège Maidstone Manchester Newcastle under Lyme Norwich Nottingham/Derby Reading Rugby Sherborne Southampton Swindon Teesside Wakefield Washington York</div><div>35</div></div> <div><div>(f)</div><div>Gatwick Guildford Hull Leeds/Bradford Lincoln Heathrow, London Milton Keynes Plymouth Sheffield</div><div>9</div></div>																				
<div>Disposals</div> <div><ul style="list-style-type: none"><li>● Grimsby</li><li>● Welwyn Garden City</li><li>● Glasgow</li><li>● Coventry</li><li>● Buckerell Lodge, Exeter</li><li>● Lytham St Annes</li></ul></div> <div>Moved into Heritage Collection</div> <div><ul style="list-style-type: none"><li>● Plough and Harrow, Birmingham</li><li>● Manor, Yeovil</li><li>● Royal Hop Pole, Tewkesbury</li><li>● Unicorn, Stow-on-the-Wold</li></ul></div>	<table><tr><td>Crest purchases</td><td>43</td></tr><tr><td>Transferred to Forte Posthouse</td><td>15</td></tr><tr><td>Transferred to Forte Crest</td><td>18</td></tr><tr><td>Unbranded</td><td>10</td></tr></table> <table><tr><td>THF hotels</td><td>21</td></tr><tr><td>Transferred to Forte Posthouse</td><td>3</td></tr><tr><td>Transferred to Forte Crest</td><td>18</td></tr></table>	Crest purchases	43	Transferred to Forte Posthouse	15	Transferred to Forte Crest	18	Unbranded	10	THF hotels	21	Transferred to Forte Posthouse	3	Transferred to Forte Crest	18	<table><tr><td>Posthouse hotels</td><td>44</td></tr><tr><td>Transferred to Forte Crest</td><td>9</td></tr><tr><td>Transferred to Forte Posthouse</td><td>35</td></tr></table>	Posthouse hotels	44	Transferred to Forte Crest	9	Transferred to Forte Posthouse	35
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<table><tr><td>Forte Crest</td><td>45</td></tr><tr><td>Forte Posthouse</td><td>53</td></tr></table>			Forte Crest	45	Forte Posthouse	53																
Forte Crest	45																					
Forte Posthouse	53																					

Source : Kleinwort Benson Securities, 1991, [41]

### 2C.4.3 FORTE'S FUTURE PROSPECTS FOR MARKET GROWTH IN THE UK AND OVERSEAS THROUGH BRANDING

It has already been mentioned in Chapter 2, part B, paragraph 5, that growth potential in the UK and Europe is illustrated by various market statistics. **Forte** which is the greatest UK hotel operator has less than 6 per cent of the total number of rooms while in Europe the proportion is even smaller [41]. These statistics suggest that market growth is likely to continue in several parts of Europe in the next years and for this reason, it is essential that positioning is well supported.

In this respect, the multinational hotel brands like **Hilton**, **Hyatt** and **Holiday Inn** share the advantage that they have been very well positioned in the past years and consequently, their level of brand awareness is considerably high, especially in the business travel market. In Italy, for example, Hilton is well known with a high level of awareness among business travelers despite the limited representation.

{Source : Hilton Int., Marketing Department, Athens, 1994}

In this way, **branding** represents a significant challenge for **Forte** in order to forward their expansion planning strategy. Within the UK hotel industry, branding may often mean the placing of hotels into more homogeneous groups. During the process of **rebranding**, some hotels may have to pay extra attention to **physical consistency**, since **brand attributes such as range of service, location or price, can not change basic differences in physical structure.**

## 5. ACCOR GROUP

### INTRODUCTION

Although it is still very much a French-owned and operated group, the multi-brand **Accor Group** has fast become a truly international chain. The group in 1987 had 553 hotels, 37 per cent of which were located outside France. Its rapid growth means that it is ranked among the first 10 largest hotel chains in the world in terms of room capacity and hotel properties, up from eleventh in 1982, down to fourth at the end of 1996, with a total of 270,000 rooms and 2,378 hotels, in 130 countries. The group offers nine distinct brands, as shown in Table 11. The driving force behind **Accor** has been the lower priced first class **Novotel** chain, counting, in 1997, 300 hotels in 50 countries. The diversity of brands has become about largely through the acquisition by the main group of complementary chains (notably the Sphere Group with its **Ibis** brand) although a number of new concept chains have been developed organically, including the one-star economy **Formule 1** brand, the acquisition of **Motel 6**, in 1990, which is nowadays the most important hotel chain in America's budget segment, and most recently **Hotelia** aimed at the senior market. The **Urbis** brand does not exist any more since it was embodied with **Ibis** chain.

{Source: Accor Group, Marketing Department, Resinter, France, July, 1996}

**Formule 1** hotels are among the most innovative developments in the accommodation industry in recent years. They are of prefabricated construction which, with easy cleaning systems and low staff costs, can keep room charges down to \$20 for a room in which three people can sleep. More than 300 **Formule 1** hotels are currently operating in France and throughout the world.

{Source: Accor Worldwide Directory, 1996}



**Table 11: Accor Group hotel product brands, 1996**

Brand	Type	Number of Hotels		
		France	Elsewhere	Total
Sofitel	International luxury hotels	27	73	100
Novotel	International lower priced first class hotels	115	185	300
Mercure	Domestic first class hotels	174	More than 125	More than 300
Ibis	Two-star budget hotels	295	115	410
Formule 1	One-star economy hotels	Unknown	Unknown	More than 300
Hotelia	Hotels for senior citizens	13	30	45
Jardins de Paris	Midscale class hotels	11	-	11
Etap	Budget class hotels	67	33	100
Motel 6	American Budget hotels	-	Over 760 in US	More than 760
Total		About 1,000	About 1,400	About 2,400

Source: Accor Worldwide Directory, 1996

## 2C.5.1 HOW ACCOR GREW

Paul Dubrule and Gerard Pelisson, founders of **Accor Group**, diversified when they felt it was right for their business rather than right for the general business climate. The ventures they undertook, in order to expand their business, were integrated with, and could take advantage of, other successful, established companies they already owned.

The foundation for this business was laid with the opening of the **Novotel** at the Lille airport in 1967 and the simultaneous creation of the Societe d'Investissements et d' Exploitation Hoteliers (SIEH) (Hotel Investment and Operating Co.). Dubrule and Pelisson spent the next 6 years becoming experts in financing, developing and operating hotels in the three-star sector in France. They used that knowledge to create the concept for a two-star chain, Ibis, which they began in 1973 under the terms of a shared venture agreement with La Henin, the French financial company.

1974 marked Dubrule's and Pelisson first step beyond the familiar territory of the hotel industry. In association with the Louis Dreyfus Co., they took control of the Courte-Paille chain of motorway grill restaurants. Within the next five years, the group set out on an aggressive expansion campaign that diversified the company both vertically and horizontally.

During that period, Dubrule and Pelisson acquired the three-star **Mercure** hotel-restaurant chain and took over the luxury **Sofitel** hotel chain. Equally important was the fact that the company began its international expansion at the same time. The groundwork was laid for hotels in Africa, the Middle East and South America. In 1979, Dubrule and Pelisson purchased their first hotel in Minneapolis, in the USA. By the time the group bought majority control in Jacques Borel International (industrial caterer and pioneer with meal vouchers) with a capital share of 86.83% in 1982, its future as a large business organization consisting of several companies was set. The consequence of that unification was the creation of **Accor** in 1983.

## ACCOR'S MARKET SEGMENTATION IMPLEMENTATION AND BRANDING

### 2C.5.2 ACCOR'S SUCCESSFUL SEGMENTS CONTINUE TO PROSPER

In 1997, **Accor** is firmly positioned as the largest hotel chain in France and the **fourth largest** hotel chain in the world. The company, as was said before, in 1987 included 553 hotels in 64 countries and continued at that time to open one hotel every 10 days. If Accor keeps up this pace, its hotel sector will increase to more than 2,500 hotels throughout the world by the end of the century. **Accor** has not sacrificed profitability to achieve its growth goals, nor has it let one division try unpleasant situations while its focus changes to another as international economies change. One of the secrets to **Accor's** success is the stable income production its subsidiaries generate [95] (1995).

For example, its hotel division has accounted for 51% to 53% of the group's gross revenues since the 1982 unification with Borel. It should be noted that **Accor's** hotel chains maintained that figure even though the parent company's gross revenues doubled between 1982 and 1986 - from \$1 bn in 1982 to an estimated \$2 bn in 1986. As the company grew, the hotel division was able to capture a consistent share of a growing market and remain the key revenue producer in **Accor**. The parent company is committed to segmentation, both in France and abroad. **Accor** has worked hard to define its markets and establish strong identities for its products. **Sofitel** targets the deluxe business and tourism hotel markets. Site selection has been a primary consideration in the growth of this luxury four-star segment.

The 100 **Sofitel** properties include more than 30,000 rooms, two thirds of which are outside of France. Although previous economic conditions and taxation programmes may have encouraged some upscale hotel companies to focus their development abroad, **Sofitel** found foreign countries to be profitable destinations for the long term [95] (1995).

This segment's revenues account for about 20% of the hotel division's total sales. Company executives say that most of the expansion in the near future will concentrate on foreign markets - primarily international centers and cities of special business interest. *"We have narrowly defined the Sofitel concept. It is a luxury, 250 to 400-room hotel with the highest standards. We wanted our Sofitel properties to be large enough for their markets but still retain a human scale "*, said Bernard Westercamp, general director of **Accor** [97]. **Sofitel**, in 1997, operates 7 US properties in 7 major international centers like Chicago, Houston, Los Angeles, Miami, Minneapolis, San Francisco and Washington DC, respectively.

But the chain is not relying exclusively on the USA for expansion. **Sofitel** has also developed an important number of properties in key international cities in the Eastern and Arabian World. In the late 1980's, sites were selected for the establishment of **Sofitel** hotel brands like the Nova Park in Jeddah in Saudi Arabia. A 250-room **Sofitel** opened in Xian, China's famous historical site, in 1989. In 1997, establishments in Qatar (Doha State of Qatar), Senegal (Dakar), Thailand (Bangkok), Togo (Lome), Vietnam (Dalat and Hanoi), Malaysia (Johor Bahru), Mauritius (Flic en Flac) and Korea (Seoul) constitute the upscale ambassador of **Accor Group** addressing to an international clientele for both business and pleasure.

{Source: Novotel Mirayia, Marketing Department, Athens, 1996}

Two properties to be managed by **Sofitel** were built in 1987 in the Pacific Islands, which reinforced Sofitel's established presence in Tahiti, Moorea and Bora Bora. At the present time there are 4 Sofitel properties operating in the French Polynesia, respectively. In Europe, Germany and Great Britain have already been analyzed as good markets for future development, where 2 **Sofitel** brands are already operating in Frankfurt and Koln.

In France, the company is considering more resort hotels and hotels specialized in certain services, such as thalassotherapy provided in **Thalassa International** centers, where the guest can enjoy a personalized health and beauty programme.

**Coralia**, which is a new name in the Group, is **Accor's** label for resort hotels. Wherever tourism is considered more important than business, **Sofitel Coralia**, **Novotel Coralia** and **Mercure Coralia** open up completely to sun, discoveries and to holidays. Providing a personalized formula for individual freedom, **Coralia** is already based in the Caribbean, French Polynesia, the Mediterranean as well as the Indian Ocean with a network of around 60 resort hotels, and an even growing network in Cuba, Venezuela and South America.

{Source: Accor Group Worldwide Directory, 1996}

### **2C.5.3 CITY CENTER AND RESORT HOTELS OFFER PATHS FOR NOVOTEL'S EXPANSION**

Since 1984, **Novotel**, still the backbone of the hotel division, with a total of 49,000 rooms, has followed a dual development path: city center sites and resort destinations. A 600-room **Novotel** opened in Beijing in 1988. While **Novotel** continues to seek a presence in major cities, with properties such as the **Novotels** in Paris as well as **Novotel** hotel brands in Toronto, it is also pursuing further expansion of its new **Evasion** category hotels.

{Source: Accor Group Worldwide Directory, 1996}

Perhaps the most interesting and innovative development in hotel branding in the recent years and probably the best future trend, is the “**dual brand**” hotel, pioneered by the **Accor Group**. At La Defense in Paris, two Accor hotels - an **Ibis** and a **Novotel** - have been built within one structure. In this way, the many preliminary capital costs, for example, site acquisition and land clearance and much expensive plant and machinery have been shared, resulting in significant economies and a reduction in the cost per room. Similarly, certain costly public areas in the two hotels have been shared, while still providing distinctive facilities and services appropriate to the needs of each of the different markets served by the two hotel brands. From a distance, the building looks like one structure and one hotel; only by a closer look it is apparent that there are two hotels operating within one property.

The **Evasion** properties are designed specifically for vacation and leisure travelers, a market experts predict will grow as discretionary income and leisure time increases. While the design and services offered by the city-center **Novotels** are fairly standard, the **Evasion** group offers decor reflective of the local surroundings and special menus suited to a resort environment [42]. The first of this group is the Montfleury Hotel in Cannes, which **Novotel** manages. It is an independent hotel member of a franchise network. Other **Novotel Evasion** have opened in New Caledonia, Noumea, Pouvoua and the **Novotel Evasion** in Penang, Malaysia. *"We believe we keep our company healthy by spreading the risk with different products and locating them in different countries"*, notes Westercamp [97].

Analysis of countries and the potential they offer as hotel markets is under constant review. With the rising economic impact of the Iberian Peninsula, **Novotel** has opened hotels in Madrid, Barcelona and Girona. The chain has already made its presence in 16 European countries apart from France, and is currently counting 97 **Novotel** properties in major city centers, as well as 119 hotels situated throughout France. *"We try to look at the opportunities in each country. For example, in Turkey we will only have management contracts rather than an ownership interest. In Africa, too, we manage rather than own"* [97]. *"The business there is 50% with the government and 50% with the private investors"*, [10] pointed out Benjamin Cohen, executive vice president, hotel operations.

A high percentage of ownership gives **Accor** control over development and performance of its properties. It enables the company to monitor the markets and be responsive to the need for change, as in the case of its three-star **Mercure** chain. The company's leadership decided, after a long review, that **Mercure** needed more dynamism, both in its identity and its future plans.

**Accor's** executives did not want to change the basic concept behind **Mercure**. It would remain a chain of three-star hotels in major cities and it would retain its "**human dimensions**" - generally no more than 200 rooms.

What they did was to give **Mercure** its own identity. Instead of being standardized, **Mercure** properties feature a regional flavor in the interior environment, services and promotions. *"Even Mercure's restaurants will be different "*, commented Benjamin Cohen. *"We want them to reflect the regional culture and feature local items - as long as they conform to our standards "*, he added [10].

**Accor's** leadership also managed **Mercure** to grow by two-thirds since the end of the previous decade; from its 64 hotels in 1987 (53 of which were by the year 1987 in France) to 265 in 1997 (174 of which are situated in France). **Accor** pursued an active franchising programme to meet this goal. Both existing and new hotels were offered as franchises. Germany and Austria have been so far major targets for **Mercure**, as has been further expansion within France. Between the late 1980's till 1997, **Accor** has established 20 **Mercure** in Germany and another 4 in Austria . **Mercure** in 1986 and 1987 opened in six French cities. Room rates were at that time 20% to 25% higher in Paris than in the provinces due to labor rates. Since then, the brand has dramatically expanded and, in 1997, is counting properties in 90 cities, in addition.

#### **2C.5.4 ACCOR'S BUDGET HOTELS**

In France, as in nearly every market worldwide, the budget hotel sector is active and **Accor's Ibis** chain has been able to capitalize on it. Because of its relatively early introduction into the market, it has been able to **build brand loyalty**, which resulted in sales of \$154 million in 1985.

In 1997, its 285 hotels make it the unquestioned leader in the French budget market, but the concept has also performed well abroad. **Accor** currently manages 115 economy hotels, including **Ibis** hotels in Brazil, Cameroon, Tunisia, Cote d' Ivoire, Andorra, Europe, Australia and New Caledonia.

UK is seen as a strong market for further development. **Accor**, since 1986 has been having even more concerning the future of Sphere (the parent company of **Ibis brand**) since it bought its partner, La Henin.

Equally well-timed was the introduction of its economy chain, **Formule 1**. After experimenting with two properties during 1985, executives redefined the **Formule 1** concept and prepared it for a real launch in 1986. **Formule 1** has revolutionized budget class inns to accommodate both business and family clientele, offering convenient, automatic room payment outside the reception and simple but sure comfort, at a price no more than \$25 per room for 1, 2 or 3 people. At the present time, more than 300 of these one-star hotels are operating in France and also in Belgium, England, the Netherlands, Switzerland, Sweden, Spain, South Africa and Australia. *"There is a strong market for this type of room, which we sell for under \$15. For now, we will not franchise because we want to demonstrate how well Formule 1 can do. Later, we will look for investors "*, noted Benjamin Cohen [10].

Since the **Formule 1** properties cost \$12,307 to \$13,706 to be built and because staffing requirements are minimal, since no restaurant is offered, the break-even point is low. However, with occupancies for the first properties reaching 80% in their first year, profits should have been higher. *"The market is still very open. Of the 800,000 hotel rooms in France, 450,000 are one-star or less. So if we make a good product that pleases customers we can really profit from that market, even with 20% of it "*, noted Benjamin Cohen [10]. Franchising has not yet become vitally important to Accor's profitability. *"Overall, 15% of our hotels are franchised; 35% are under management contract and 50% are company-owned or subsidiaries "*, he added.

With the acquisition of **Motel 6** in the US, in 1990, **Accor** has become the world leader in budget hotels. Including over 760 properties from coast to coast, **Motel 6** represents today the most important hotel chain in America's budget segment. **Motel 6** consistently offers the lowest price of any national chain in the market, and is quite reputable for the hospitality standards it provides.



Many of the properties have been recently remodeled. **Motel 6** is a multimedia player. Local telephone calls are free of charge and each TV offers 24 hour coverage of two major sports and entertainment channels, HBO and ESPN.

{Source: Novotel Mirayia, Marketing Department, Athens, June 1996}

**Etap** hotel is the answer to the expectations of the guest who prefers a hotel product between budget and two-star. **Etap** hotel is essentially a **simple product**. All rooms can accommodate up to three guests. They are all fitted with en suite bathrooms and color TV. Breakfast is served in buffet style. There are special terms offered to families, such as no charge for children under 12, sharing their parent's room, as well as special terms for groups. **Etap** hotel is a network of varied hotel designs efficiently combining different styles and highly attractive prices which provide a professional and eager-to-please management. There is a wide portfolio of this hotel brand expanding throughout France, Germany, Belgium and Hungary.

## 2C.5.5 ACCOR'S NEW MARKETS

**Accor's** various hotel chains are not the only areas that provide opportunities. **Accor's** leadership was also quick to see the potential of the fast-growing senior citizens' market. In the USA alone, those 50 and older constitute a \$800 bn market with nearly half of the total US discretionary income. To profit of the market in France, **Accor** created its **Retraitel**, which launched its first property through its **Hotelia** chain in 1984. Services range from traditional hotel services to more sophisticated care programmes depending on the individual's degree of dependence. Stays may vary from several weeks to years. **Hotelia** was the 32nd brand name to be introduced by **Accor**.

**Accor** has four highly-specialized equipment and supply companies, a central reservation system called **Resinter**, a research company, tour operators, cruise line and health centers. **Accor** does not have its own architectural or design department. *"We think it is better to use different independent designers "*, said Benjamin Cohen [10]. Generally **Formule 1** and **Ibis** are all alike in floorplans and style. **Formule 1** has 48 rooms, **Ibis** 100 to 200 rooms and **Novotel** 100 to 200 rooms. *"Mercure and Sofitel are designed differently depending on locations and have meeting facilities and other amenities for business travelers "*, he added.

**Accor Group's** second largest complementary strategic area, besides the original core business -**the hotel sector-**, is the **Business Services**, recording ongoing growth. Their multinational **Business Services** activities include **Service Vouchers** programmes, used by 9 million people on a daily basis, 4,700 **Institutional Catering** facilities and 4,000 **Travel agencies**. In 1991, **Accor** acquires the International Company of Wagons-Lits and Tourism and becomes the main shareholder, occupying 69,7% of the total capital . After three years time, in 1994, **Accor** announced the creation of Carlson Wagonlit Travel, a worldwide travel agency network, born from the combination of the business travel activities of Wagonlit Travel and Carlson Travel network. In the middle of 1995, Carlson Wagonlit Travel announces its cooperation with Household International Corporation, an American company which is the leader in financial services sector. The result of this cooperation was the development of a professional card, the **Business Card**, which was officially promotioned in North America in January 1996, and later on to Europe and Asia.

*"Developing the **Business Card**, our main purpose is to create a new means in order to serve the Business Traveler, responding to the contemporary and future demands of transportation regarding the Business Trips"*, stated Travis Tanner, General Manager of Carlson Wagonlit Travel, in USA.

The basic function of this card will be to collect data concerning the travelers' transportation and insert this data into an integrated system which has the ability to approve as well as make reservation trips, check and manage the expenses with greater efficiency, eligibility and with a cost considerably lower than that of the company. It is a data card that will constitute for the business enterprises an important part of the integrated computerized system, analysing the information and adjusting it to the data of the business trip.

{Source: Direction de la Communication du Groupe Accor, France, June 1996}

Since Business Services are a key component of the broader travel and tourism industry, representing **Accor Group's** second mainest area to further develop and expand, a separate brand specially designed to address the needs of the business meetings has been developed. The **Atria** concept is the integration of certain **Novotel** and **Mercure** hotels. Specializing in conventions, congresses and professional events, they propose:

- Amphitheatres, auditoriums complete with audio-controls, video transmission and audio-conference as well as simultaneous translation,
- Meeting rooms and exhibition areas,
- Temporary offices, professional services such as secretarial work and office management

All the **Atria** teams are dedicated to offering the guest exclusive and innovative service. "**Meet to Succeed**" is a solid commitment, established with precise specifications, quantifiable, controlled and chosen by the client, in order to make his/her meeting a success. The guest has the ability to measure Atria performance and benefit from an indemnity due to differences between promises and reality.

{Source: Novotel Mirayia, Marketing Department, Athens, May 1996}

**Accor** has managed to benefit from the strengths of international networks and from the ability to provide homogeneous service quality around the world. To continue enhancing service quality and improving productivity, **Accor** takes full advantage of human resources and individual skills. In order to achieve this, a strong training and motivation strategy is crucial.

It is a dimension to which **Accor** has always paid close attention. The launch of **Accor's** private training academy, characterized as the “**The University of Service**”, in 1985, at Evry, in France verifies the persistence in this policy. The establishment of the academy constitutes a commitment to both its staff and its clients. **Accor**, in 1997, counts 110,000 employees in 130 countries. Everywhere their people share the same vision: **to do more, to do better in serving their clients, to be, through rigorous training and dedication, a star in the field of Services.**

{Source: Novotel Mirayia, Marketing Manager Interview, Athens, May 1996}

## **D BRANDING THE MARKET SEGMENTS WITHIN THE HOSPITALITY INDUSTRY**

### **1 THE SENIOR MARKET SEGMENT**

#### **INTRODUCTION**

Senior's Travel indicates a growing group of travellers of 50 years old or more. They have their own special needs and requirements and are also increasingly interested in a wide variety of holiday experiences. Many are avid sports people, interested in sports which take them to new destinations, preferably in the sun. Seniors are becoming the largest consumer group with great financial strength and buying power.

#### **2D.1.1 DEFINITION OF LATER LIFE**

"**Later life**" represents a significant phase for many as opportunities for early retirement arise at the same time as commitments in the form of mortgages and responsibility for children diminish. The physical restrictions imposed by age will also continue to cause a redefinition of the individual's personal leisure portfolio and a consideration of the leisure opportunities that currently exist. The older age group represents a separate case for several psychological and physiological reasons but is more diverse and substantial than many age related stereotypes suggest. This fact is rarely reflected in the various definitions of later life, for instance Leisure Consultants [45] defined the following groupings:

- Young more active (15-24), doing many things;
- Family formers (25-44), will do anything but basically starting a family;
- Empty nesters (45-65), in training for when they become elderly;
- Elderly (65+), more inexcitable in home and leisure.

The facts, however, are that many in the younger age group, while physically fit and able, may elect to lead a more inexcitable lifestyle and many in later life will follow contemporary advice and deliberately pursue a more active lifestyle to encourage longevity and self fulfilment. Older age groups tend to have specific interests throughout their lives, many of which they have been unable to pursue because of career or family commitments.

To assist in the definition of market size and its characteristics more specific limits are required. Long and Wimbush [56] give the following definitions of the retired:

... in receipt of a state pension;

...with a lack of full time employment throughout the year;

...having no gainful employment during a given year;

...being able to give up one's business or occupation in order to enjoy more leisure and free time.

The final definition is probably the most useful for the hotel operator wishing to reach this particular market, but the age at which this new freedom is likely to occur still needs to be more precisely defined. Kramer's Senior Citizens Marketing Group [82] divide the later years into the following groups:

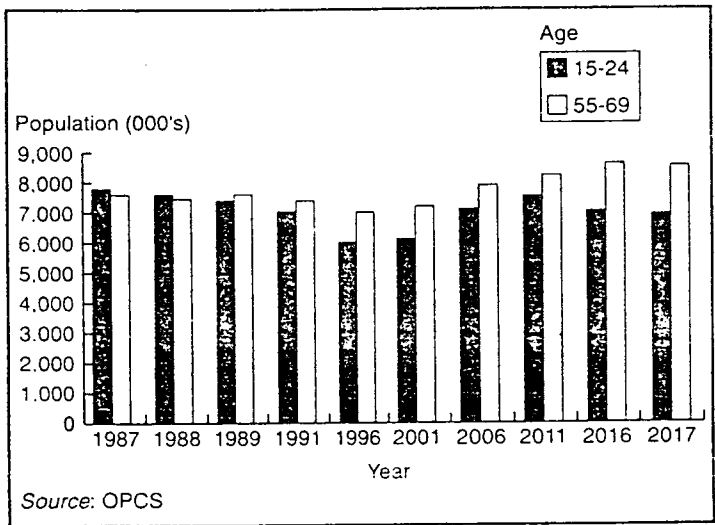
- Older people 55-64
- Elderly        65-74
- Aged         75-84
- Very old     85+

This division is perhaps too arbitrary for planning purposes and provides few clues as to the particular requirements of these different groups. The Sports and Recreation Information Group research [87] demonstrated that the level of participation in leisure activities drops markedly at or around the age of 70. Thus, for most leisure planning purposes the age range of 55 to 70 is considered to be the most appropriate.

**2D.1.2 THE OVER-55s MARKET SIZE**

The figures used to describe the size of the over 55 market will be those of the Office of Populations, Censuses and Statistics (OPCS) [68]. Analysis of the OPCS data indicates that the size of the over-55 population in 1991 was about 11,903,000, representing 24 per cent of the United Kingdom population. By the year 2000 a slight decrease is forecast, but the size of this group will continue to increase into the 21st century. The increase in the over-55 market contrasts with the decline in the under-24s age group, traditionally a high profile group among leisure and hospitality operators due to their spending power and diverse interests. This shift in market profile provides a number of opportunities which, at present, have not been fully explored by the leisure sector.

**Figure 1, Population Projections**



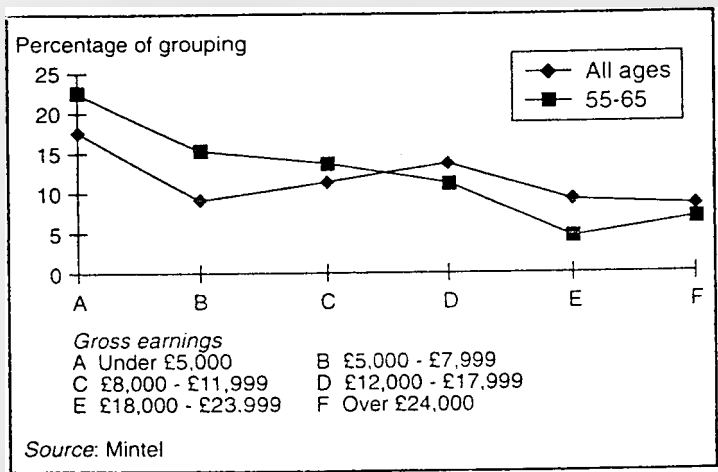
2D.1.3 FREE TIME POTENTIAL OF THE OVER-55s

The retired section of the over-55s market population has been examined by the Henley Forecasting Centre [29] which estimates that on average a retired person has 86.25 hours of free time per week compared with 45 hours for full time employed people. The recession of recent years has required readjustment of long-term forecasts; it was once assumed that as the under-25 population declined, the over-50s would be required to make up the shortfall in the working population. Commentators now suggest high levels of unemployment will continue until at least 1997 and work for the over-55s will diminish during this transition [9].

2D.1.4 DISPOSABLE INCOME

The gross earnings of the over-55s in comparison with other age groups in the population appear to be substantially lower. This trend is shown in Figure 2.

Figure 2, Gross Earnings of 55-65 Age Group



This trend is reinforced by an examination of the income per household (over-55s) compared to non-retired household (Table 12) [11].



**Table 12, Income of Households**

	Retired households £ per year	Non-retired households £ per year
Original income	3,095	12,872
Disposable income	5,245	11,535
<i>Source: OPCS</i>		

Disposable income is assumed to be the amount remaining after the deduction of income tax and national insurance and after allowance for inflation [9]. While disposable income is lower for the over-55s, they potentially have more to spend on leisure because they have fewer financial commitments in the form of mortgages, loans, school fees and other outgoings. Also, further investment plans, and pension schemes would have probably matured providing significant capital for investment [9].

In 1991, 71 per cent of all 45-59-year-olds were owner occupiers [37]; the majority of these had paid off their mortgages. The trend in home ownership looks as if it will continue despite the devastation caused in the housing market by the recession. Growth may be slower but it appears that capital growth and acquisition through home ownership will remain a feature of the average UK's asset portfolio. So, the affluence of the over-55s will remain a feature of the UK's economy for the following reasons:

- The number of people with occupational pensions is growing and will continue to do so, at least in the medium term. At present, a third of pensioners have an occupational pension and of those currently in work, three-quarters of male employees and two-thirds of female employees have an occupational pension scheme.

- With increased home ownership, the amount of inherited capital passed on to those in retirement or nearing it will probably be much greater than in previous generations. This is illustrated in Table 13 [47].

**Table 13, Capital Accumulation**

Year	1986	1987	1990	1995	2000
Amount (£bn)	6.5	6.8	8.9	16.0	24.0
Source: Mintel					

- Over the past 20 years, the growing number of people with bank accounts, insurance schemes and other forms of investment has increased the savings and the great quantity of sum payments available to those reaching retirement. This will counterbalance the small decreases in state pensions [79].

**2D.1.5 THE GEOGRAPHICAL SPREAD OF THE OVER-55s MARKET SEGMENT**

The British Tourist Authority [7] used figures from the 1981 statistics demonstrating that 18 per cent of the population were of pensionable age and the highest proportion of the elderly were concentrated around the seaside towns of the South coast and South-West. Most of the Midlands, Central England and large areas of East Anglia had retired populations below the national average. This geographical concentration in the South coincides with the location of the most wealthy older age groups and therefore provides unique opportunities for the development of specific and possibly large scale leisure facilities specializing in the over-55s market.

## **CONCLUSION**

The older age groups represent a diverse and complex market, due to the fact that they have had a lifetime's experience and have established consumption patterns that are sometimes difficult to formulate into viable market segments. For instance, while many over-55s are comparatively well off, their understanding of good value may differ considerably, and experience has made the older consumer more cautious than their younger counterpart and less impressible to fashion and necessity of purchase [14].

The leisure operator wishing to take advantage of this gainful market must consider the options, carefully taking into account the issues described earlier. There is no doubt that economic and demographic imperatives will focus attention on this important market segment in the medium to long term, but leisure operators will have to craft their products carefully in order to gain the influence and loyalty of these experienced consumers.

## **2 THE LEISURE MARKET SEGMENT**

### **INTRODUCTION**

After a decade of continued growth, the hotel sector finds itself confronted by a similar case of economic factors that challenged the British economy ten years ago. The economic context of the hotel industry at the beginning of the eighties was not very encouraging. At that time, the US dollar was weakened relative to sterling and North American visitors to the UK had fallen sharply. On the other hand, the strength of sterling caused a rise in the number of British tourists taking holidays abroad. Apart from that, British economy had to face the second petrol crisis and rates were rising as well as VAT [40].

Although there are still some similarities, it is felt that much has changed concerning the nature of hotel markets and the companies and products that serve those markets. Analysts dealing with the hotel industry feel that both the holiday and business segments are nearing saturation in the UK: for example, Kleinwort Benson believes that UK hotel market has entered a phase characterised by only marginal growth. Kleinwort Benson expresses that, in order to compete more effectively, hotels will probably upgrade their facilities, by developing complex hotel operations in which the hotel is an integral part of a larger more diversified facility which may include residential, retail, sports, marinas and other leisure facilities [40].

In this section, the main purpose will be to indicate some of the opportunities presented by leisure to the hotel industry. Leisure can provide a focus for competition, product differentiation and branding, all of which are now becoming more significant. According to Rocco Forte, while hotels are now operating in one of the most competitive marketplaces, nevertheless, they are much more professional and capable of offering a much better targeted series of products to their customers than ever before. He also believes that in this decade, the British hotel industry will follow the American pattern where each chain will try to define an image for itself and establish a strong brand identity [2,p 32]. The same will happen with the independent and private hotels. In order to maintain significant growth, hotels in this segment will have to integrate new product offerings into their traditional portfolio of food and accommodation and exploit new markets.

### **2D.2.1 THE POTENTIAL OF LEISURE**

During the 1980s, real disposable incomes rose by an average of 25 per cent and yet this was often at the cost of leisure time [90]. People used to work longer hours and travel greater distances. Looking beyond the short-term economic problems, analysts believe that income availability will continue to grow more quickly than time availability. As far as leisure operators are concerned, time will become an important element of individual leisure offers and will provide a new marketing variable which can be used to achieve competitive advantage [13, pp. 28-30].

Hotels are in a unique position to use the time component as they are already committed in most respects, to a 24-hour manned system. The introduction of flexible opening hours for leisure and the provision of "**time freeing**" services, such as creche facilities, could provide specific market appeal and a competitive edge. Various agencies indicate that there is likely to be less emphasis on the work and greater emphasis on leisure and self-fulfilment in the next decade [17], there is also the likelihood of shorter working weeks and longer holidays in the next ten years.

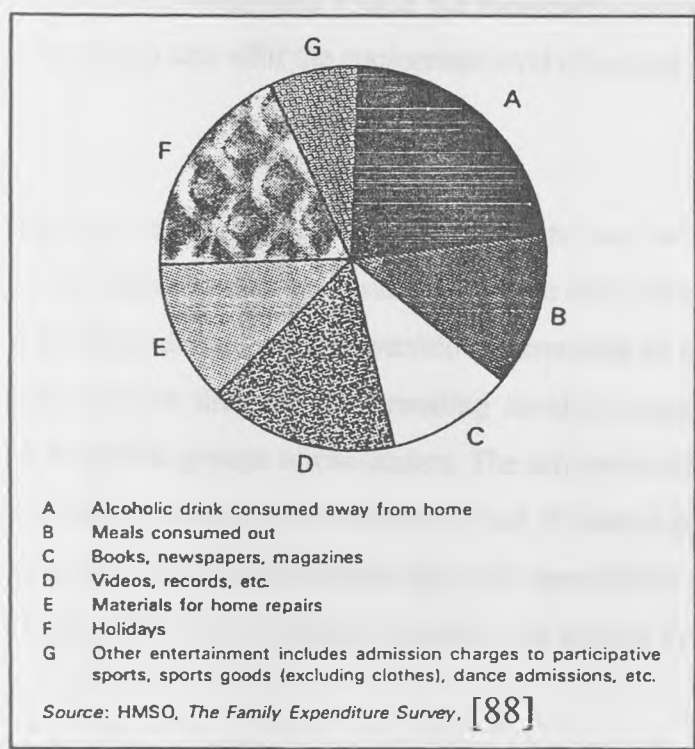
It is probable that to some extent consumers will search for goods, symbols and services which show how successful they are at exploiting leisure time [13]. This in turn could lead to a demand for individualised leisure guidance, for example the preparation of individual fitness programmes and sports training programmes. If, as seems likely, UK leisure trends follow the pattern of the US, then the market will be driven by the affluent and active ranks of the new middle-aged consumers, who demand individually tailored health and leisure services [101].

Of course, free time is one essential component in the leisure formula. Money is the other leisure facilitator. Consumers can take part in leisure pursuits with very little expenditure but hotels are interested in the way leisure can be **packaged** and possibly **branded** to provide apparent added value to the consumer.

Consumer expenditure on leisure activities reached £80.9 bn in 1989 and, as estimated, it increased by 22.6 per cent in 1993. Overall leisure spending is expected to return to 1980's levels from 1993 until the end of the decade, with an estimated 9-10 per cent increase each year [62, pp.22-3]. Various studies indicate that leisure spending will be above average consumer spending levels over the next five years [88,62].

According to Staniland Hall Associates [88] consumer spending on both recreation goods and services declined in the early 90's but was not as effected by the recession as other consumer goods, for example clothing. Many factors influence leisure expenditure (Figure 3), often reflecting current trends and fashions in British society; for example people over 65 years of age are often better off in terms of disposable income but their leisure spending habits reflect different attitudes and expectations. Only 63 per cent of the 65-year-old age group eat out regularly compared with 71 per cent of the 35-54 age group. The same restraint is found in other markets, too.

Figure 3, Household Expenditure on Selected Leisure Items



Other sectors give more scope for encouragement. For example, an increase of health awareness in the 1980s was accompanied by an increase in female participation in sport and fitness, a trend which seems to continue. Swimming is the most popular activity for both men and women, with a participation rate of about 20 per cent, a trend that hotels reflect in their choice of leisure facilities. The importance of fashion in influencing leisure trends was illustrated by the rapid growth in popularity of aerobics and weight training for women.

These again were trends that many hotels exploited to great effect. Drinking and eating out dominate out-of-home leisure activities although some analysts forecast that alcoholic drinks and UK travel will experience the slowest growth till the end of the 1990's [88]. This should encourage more hoteliers to target alternative markets.

As leisure becomes more important in people's lives, they will probably choose narrower "**leisure portfolios**" and their expectations for good service will increase along with their expertise [13]. The challenge for hotel operators is to exploit the leisure market segment. It is not sufficient for the leisure operation to be installed and managed as an ancillary department of the hotel: **it must be targeted and then integrated within the company's marketing plan**. If the brand image is to be reinforced, it must also offer the appropriate level of service and customer orientation [6].

Unfortunately, the study by Martin [59] suggests that, while hotels carry out detailed feasibility studies, once leisure centres are installed, they are often managed directly by the hotel executive and in some instances do not meet the service requirements of the leisure operation's customers. **Many consultants believe that service branding involves seeing the service as a product which is targeted at specific groups of consumers**. The service should include a small number of guaranteed features which are distinctive, measurable and delivered consistently. All of the above require a degree of control and professionalism that only specialist or appropriately trained management with specific responsibility for the leisure operation can provide [75, 42].

The English Tourist Board has identified potential for the provision of more golf courses (many of the existing projects are golf hotels), marinas, heritage and museum developments. Some cases have drawn the attention of hoteliers wishing to invest in leisure-based hotel operations. Even though demand for leisure products remains relatively high, country house hotels, for which leisure is a core product, have been failing significantly. The fact that so many of these country house hotels were highly geared when the interest rates rose, the decrease of the conference and US visitor market, as well as the fact that some market segments were insufficiently targeted, has meant that a number of these hotels have appeared on the market with a fall in prices.

**The large chains are not usually interested in country house hotels as they do not fit easily into corporate schemes for branding.**

### **2D.2.2 HOTELS AND THEIR LEISURE**

Research in the late 1980s [59] indicated that, of the top 30 hotel companies in 1987, 63 per cent had fewer than 20 per cent of their hotels with leisure centres defined as:

- 1) an indoor complex within the same area;
- 2) having at least three indoor sports and leisure facilities and excluding games rooms facilities, snooker, etc.

In order to appraise how the situation has changed, since 1988, the 1995 top 30 hotels were studied. Direct comparison is not possible due to the number of acquisitions, unifications and diminutions, however it is possible to discern a slight increase in the provision of leisure. 57 per cent of the 1995 top 30 hotels had fewer than 20 per cent of their hotels with leisure centres.

Despite the difficulties of comparison over time in such a rapidly changing market, it is obvious that there has been an increase in the number of chain hotels developing leisure operations. However, some hotel chains that previously had a high proportion of hotels with leisure centres have pursued a policy of product/market differentiation and developed budget or middle market hotels without leisure operations.

The Garden Court chain developed by Holiday Inn is aimed at the mid market and cost £3-5 million each to build, without leisure facilities, compared to the core brand Holiday Inns, all with leisure facilities that cost £10-13m [26, pp.53-4].



Other mid market chains, however, have a policy of developing leisure operations as a central part of their product offering-such as Country Club Hotels which has 10 hotels in the UK at the present, with a total of 1,085 rooms [27]. It will be interesting to track the relative progress of these companies and their relative success in the market place. Country Club Hotels take for granted four preconditions for product viability in their operations [103, pp. 34-6]:

- 1) 100-120 three-star bedrooms with about 70 per cent target occupancy at an achieved average rate of £38;
- 2) at least one 18-hole golf course, which means the total site must be at least 130 acres;
- 3) 12 conference rooms, 6 of which can be converted for other uses;
- 4) a large town within 20 miles, with a population of at least 200,000.

Evidence suggests that the typical leisure centre is made up of a sauna, an indoor swimming pool, a gym, a solarium and a spa bath [59]. It may still be too soon to assess the long-term popularity of these facilities but it is notable that from some companies initially request this combination. Many of the requests involve variations on the swimming pool to include special design features like waterfalls, fountains, cocktail bars in the pool and other features.

There is an extensive range of combinations of leisure activities that hotels can use to develop their own market. Many of these require little infrastructure or capital investment, such as excursions in the country or activity weekends. Many hotels successfully generate business by including local leisure facilities, often in association with local tourist boards. The combination of swimming pool (with or without variations), gym and treatment facilities is still a popular combination and retains its market appeal, despite the fact that the number of facilities being built has not demonstrated consistent growth because of the high capital cost.

The £5m investment at the Chewton Glen Hotel , in Hampshire, UK, in 1991, is an indication of the continuing strength of the market. The leisure facility includes all of the previously mentioned facilities plus 2 indoor tennis courts, a wing of junior suites, and a state-of-the-art conference room. This investment is in addition to the 9-hole golf course and croquet lawn. Chewton Glen has a renowned commitment to customer service which should reinforce their product offering [28, pp. 36-8].

Bowling is making an extraordinary comeback after more than 30 years and is now expanding so rapidly that it may be a profitable diversion from the ordinary hotel activities. Many companies in Europe have installed bowling alleys in five-star hotels with great success. In order to be successful, operators mention that a new alley should be opened in an area with a 200,000 plus population and that the centre should have at least 20 lanes. First Leisure stated that the company had spent £50m on new facilities by 1993. Richard Carr of Allied Leisure is equally confident about the market for bowling alleys [89].

Research conducted by Henley Forecasting Centre has found that 75 per cent of a sample taken from top 50 hotel companies offered their own food and beverage facilities to their members. However, of this number 41 per cent offered purely drinks and no food and 8 per cent offered a limited service in the form of a drinks selling machine. It was notable that visitors to the leisure centre, especially those not staying at the hotel, did not want to pay "**hotel prices**" for refreshments or light meals and often did not meet the dress requirements of the hotel facilities.

Those hotels that did offer separate food and beverage facilities for the leisure operation made little discounts to trends toward healthy eating. However, research carried out by the Henley Forecasting Centre [12] established that fast food outlets like, McDonald's, are just as likely to be used by the health-conscious as those who do not consider themselves to be health-conscious.

Health and fitness clubs that are not attached to hotels have met with varying degrees of success and their experience has some lessons for the hotel sector. There are a large number of clubs that are expanding because of the success of their business but quite a few fail because they underestimated the size of the premises necessary to optimise their trade. Space is always at a premium in hotel operations. The sizes of some existing successful operations are [93]:

Selsdon Park	10,000 ft sq.
The Peak	12,000 ft sq.
Haven Hotel	8,000 ft sq.
Champneys Le	
Meridien	45,000 ft sq.
Old Ship	
Hotel	5,000 ft sq.

Peter Sargent, of Sargent and Potiriadis, has indicated that 5,000 square feet may be right for a health club with 200-300 members. A compact pool could be included in a space of about 3,000 square feet for a similar size membership. A pool, gym and possibly two squash courts could be included in a space of 10,000 square feet. The limitations of space are often the reason why food and beverage facilities are not included in the area and thus the hotel loses on a valuable source of revenue. Table 14 shows some of the costs of building various leisure facilities.

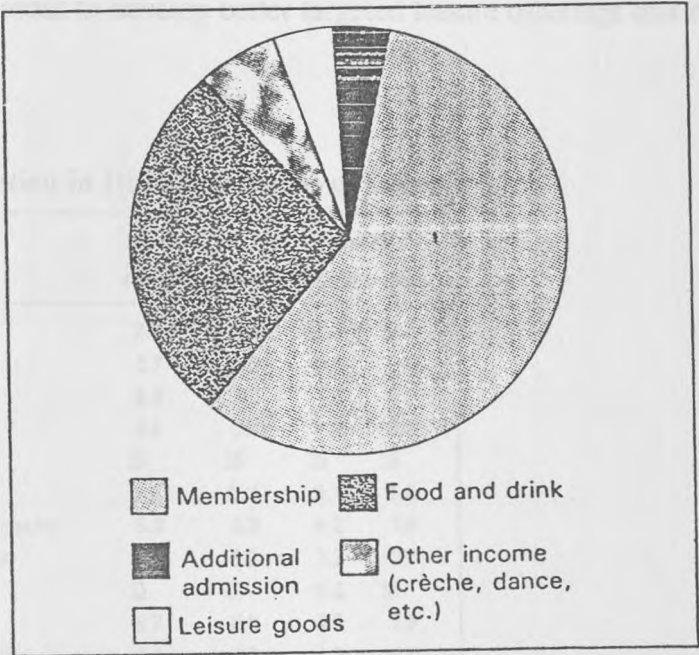
**Table 14, Approximate Costs Based on Sample of Completed Projects**

Facility	Average space (M <sup>2</sup> )	Average cost (£/m <sup>2</sup> )
Indoor tennis centres	2,610	250
Gymnasium	760	560
Squash court buildings	595	545
Sports/leisure centres	2,825	650
Swimming pool (25-metre)	1,375	1,015
<i>Source: Sports Council Datasheet, 1990 revision.</i>		

At the Chewton Glen Hotel in Hampshire, UK, the swimming pool, gym and treatment facilities cost £2.5m and the two indoor tennis courts £0.5m. In order to justify these capital costs, hotels must maximise usage and occupancy but avoid the creation of a crowded, stressful environment. Membership sold to the local community in an attempt to use the facilities during quiet periods can result in conflict between guests and members. The age balance also has to be regulated in order to ensure that the various groups using the leisure facilities do not conflict with one another.

Leisure centres can generate income from increased revenue resulting from improved occupancy, annual membership fees, joining fees, additional charges for certain facilities (such as beauty treatment), the sale and merchandising of clothes, expertise and equipment, the hire of equipment and the sale of food and beverages. Figure 4 shows the typical income from a hotel leisure club with an average of 800 members. It does not include the additional revenue derived from increased room occupancy.

**Figure 4, Breakdown of Typical Income for a Hotel Leisure Operation with Pool, Gym, Two Squash Courts, Sun-beds, Sauna [800 members]**



2D.2.3 LEISURE PROVISION FOR THE OVER-55s

During the past decade the growth and diversification of leisure activities for the over-55s has been considerable. There have been two main reasons for this growth: **the first was the changing lifestyles of the older age groups and the second one was the increased health awareness.**

The Sports Council [87] has specifically targeted the over-50s in their **"50+ and all to play for"** campaign, encouraging older groups to join sports centres and pursue more sports activities. The Sports Council has indicated that this campaign has been successful, encouraging a greater proportion of the older age groups to participate in leisure activities, and is likely to be extended in its scope, differentiating between different user groups within the over-55 market. The majority of leisure operators have not supplied their products for this age group but even so, there have been significant increases in participation. Table 15 shows that the most significant increases have been participation in dance halls, concerts, eating out and visiting historic properties. Decreases are noted in bingo attendances, visits to the circus, visits to the fair and attendance at sporting events. This spontaneous demand for some leisure products demonstrates a level of interest which needs to be further analysed in order to develop better targeted leisure offerings that meet the needs of the over-55s [46].

Table 15, Participation in Different Forms of Leisure

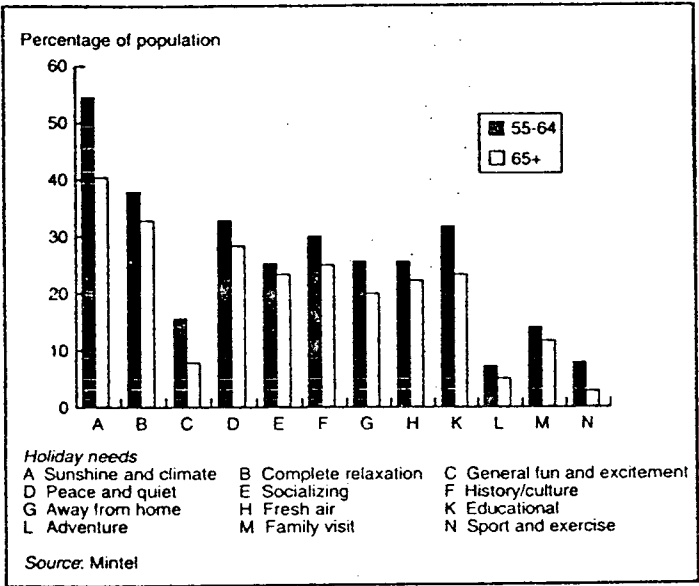
	1985		1995	
	45-59	60+	45-59	60+
Bingo	2.8	5.4	1.7	3.7
Circus	3.7	2.0	0.6	0.5
Concert	4.2	5.2	4.5	6.0
Dance hall	4.4	3.0	2.9	3.1
Eating out	15	15	15	16
Fair	2.1	2.2	2.1	1.6
Historic property	6.0	6.3	6.2	7.6
Short break	5.8	8.2	7.2	7.9
Motoring	11	12	9.5	13
Museum	6.7	6.0	7.0	7.9
Sports centre	4.4	3.8	4.8	4.5
Sports event	4.6	4.1	4.1	3.4
Theatre	6.0	6.8	6.8	6.5
Theme park	2.1	3.0	1.9	1.8
Source: Mintel				

From other research, various patterns are emerging which could be described as follows:

- The older age groups are increasingly seeking leisure activities that provide a learning and cultural experience, such as visiting a historic property or a concert.
- The over-55s are becoming more discriminating and seeking a wider portfolio of leisure activities than the **traditional** pursuits such as bingo.
- The over-55s appreciate the security of their surroundings and a less noisy atmosphere in which to enjoy their leisure.

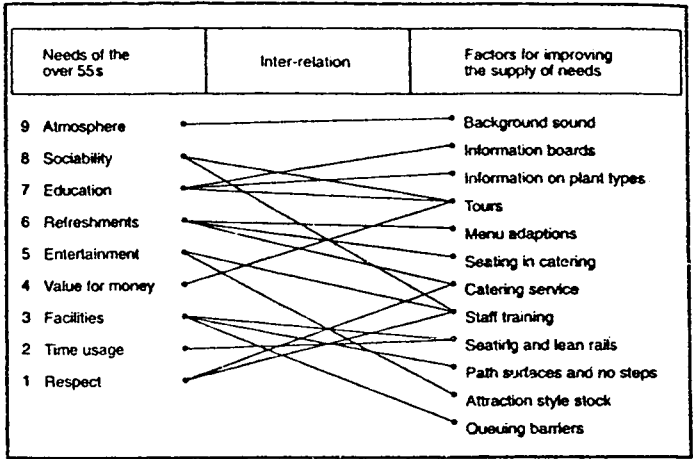
A Mintel study of the day-trip market demonstrates expectations of the "older" market [46].

Figure 5, Holiday Needs of the Over-55s



A consideration of the above leads to a number of conclusions regarding the needs of the "older" market:

Table 16, Needs of the Over-55 Group



- Social: *"Companionship is the most common reason for older people taking part in any leisure activity and must be an integral part of the provision "* [4].
- Respect: *"Elderly people do not want to be stereotyped because of their age" [4]; "The ability to carry out activities at their own pace without the pressure to compete "* [58].
- Facilities: *"They require...readily available first aid and medical facilities, and surroundings that are safe, comfortable and easily accessible "* [74].
- Education: *"They will want to know the 'why and how' behind what they see. This implies the need for explanatory material to support exhibits and attractions "* [74].
- Refreshments: *"They are less concerned looking good, more about feeling good... they are more health and diet conscious "* [48].
- Excitement: *"They will look for activities which are energetic as well as entertaining "* [4].
- Value for money: *"Although many older people are affluent, they are price sensitive and expect good value for their money "* [4].

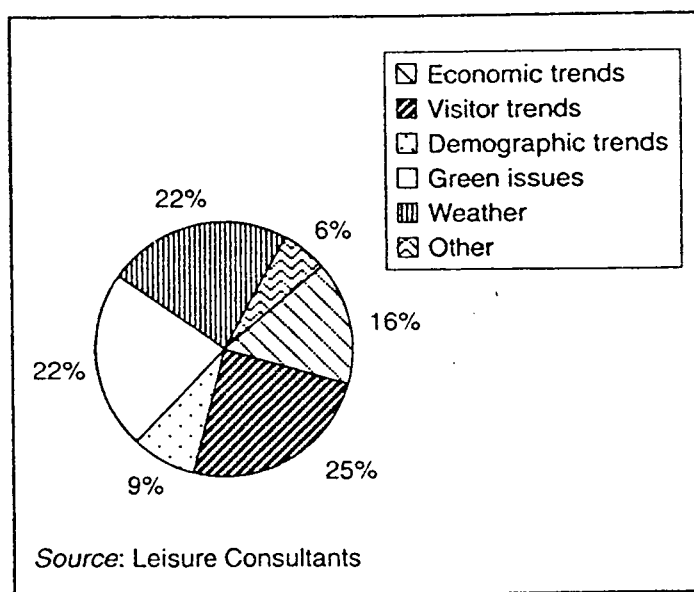
- Time usage: *"Time saving is less important as they seek ways of passing time" [48]; "They give more emphasis on daytime rather than evening visits " [58].*

- Atmosphere: *"They require a quieter, more sociable atmosphere" [58]; "The majority prefer to mix with a variety of age groups, but loud and crowded places are out " [16].*

Recognition and implementation of the above factors in leisure operations tends to be inexact and rarely planned to meet the specific needs of the over-55s. However, as the importance of the latter becomes more evident, leisure operators are more likely to include these considerations in their product offerings.

Leisure activities of the older age groups are diversifying a great deal, but the private sector has often been slow to respond to this trend. An indication of this tendency can be seen in the research carried out by Leisure Consultants [45] which investigated the future changes that day-trip operators felt would affect them most. Figure 6 represents the views of attraction operators regarding the issues that they felt would be affecting them in five years time.

**Figure 6, Factors that Attraction Operators Feel are Important for the Future**





Apparently, demographic issues were perceived to be of little importance. It is understandable that the weather and current economic trends preoccupy most operators in the short term, but certainly for the medium and long term the older market segments represent a viable business opportunity. The issues described earlier demonstrate that if this market is to be catered for, a number of specific needs must be met. According to Dane [16] if these needs are met then this group can become loyal and more dependable than the fashion conscious young.

#### **2D.2.4 A CASE STUDY IN LEISURE PROVISION**

Gullivers (Theme Parks) Ltd, has investigated the possibility of designing theme parks specifically to meet the needs of the **older** age group. Julie Phillips, Operations Director of Gullivers considered the issues described above with a view to appraising the possibility of developing a specific operation for the over-55s [77]. Theme Parks in the UK are facing greater competition both direct and indirect [61] plus a decline in their primary market segments. The potential offered by the older age group is encouraging, but the product must be carefully focused and acknowledge many of the points discussed previously. Study findings suggest that even a product, such as a theme park, usually associated with the young can be adapted to meet the needs of mature markets. The conclusions of her research highlighted the following features [77] that should be considered when developing theme parks for the over-55s:

- Rides: The rides should be small in number to reduce the potential for noise, dark rides, for example ghost trains and other enclosed rides, family rides and disguisers would be most appropriate. These rides appeared to be popular because they provided maximum interest for minimum effort, in a secure environment and offered the opportunity to enjoy a leisure experience with grandchildren and other young relatives. The latter was found to be an extremely important factor in the choice of leisure activities.
- Attractions: Museum type attractions with more detailed information. This recognizes the educational factor that the older age group considers important in their leisure provision.

- Shows: A wide range of shows and entertainment would be required to encourage return visits and provide the **value for money** element which is a particularly important aspect of product offerings for the over-55s.
  
- Transport system: An efficient transport system covering the entire area of the park would have to be installed. Simply moving around the various facilities and attractions in the theme park can be quite tiring; a small mono-rail system or other means of transport would be an important feature.
  
- Catering: The style of catering required would be traditional with emphasis on healthy options.
  
- Retail: Retail merchandise and catering is considered to be one of the most important aspects by visitors to any attraction; the range and quality of goods on offer must take account of the discerning nature of the over-55s.
  
- Infrastructure: Specifically designed for the market; for instance, low levels, few steps or easy inclines.
  
- Fantasy environment: This market has demonstrated a preference for reassuring, nostalgic, safe environments, where they or young relatives do not feel threatened.
  
- Themed environment: A variety of themed areas would be appropriate, but they should include a number of garden types and wooded areas that have proved popular with the over-55s.
  
- Customer care: Emphasis should be placed on customer care and extensive staff training required to accommodate the often demanding nature of the over-55s.

## CONCLUSION

Leisure will be a challenge for providers and participants during this decade. It can reward those who exploit their own leisure time successfully and those who seek to exploit leisure for commercial profit. Many leisure participants are likely to be sophisticated, specific in their requirements, which will become more exact and less tolerant with providers who do not care for their leisure progress. Providers must take advantage of this new-found sophistication and develop a leisure provision from a wide menu of leisure options that will reflect corporate or personal interests. This can provide the core leisure product but it must be delivered with an appropriate level of service in order to provide a differential advantage. It is predicted that the key hotel leisure developments in the 1990s will be as follows:

- 1) Demand for leisure products and services will **continue to grow during the 90s though some sectors, for example sports and health clubs, will grow faster than others like alcohol and UK travel.**
- 2) The middle-aged and newly retired will **represent the most affluent and fastest growing market.** Leisure consumers generally are likely to have sophisticated requirements and narrow leisure portfolios.
- 3) To provide an effective differential advantage, **leisure provision will need to be a part of the hotel's overall branding strategy** and include service factors that can create an impenetrable market.
- 4) Hotels are in a unique position to offer considerable flexibility of operation and exploit the time component of the leisure product.
- 5) The popularity of **the health club/pool/sauna combination will continue although the capital costs may be prohibitive to some operators.** Hotels can take advantage of local leisure amenities which can be **packaged** to provide added value.

6) The feasibility of developing leisure facilities should be considered mainly on the basis of increased occupancy of the hotel than on the introduction of membership. The latter should be developed gradually in order to avoid conflict between guests and members.

7) The leisure operation may need an integrated food and beverage facility; hotels that use separate bars and restaurants may not be deriving the full commercial benefit from the leisure provision.

### **3 HOTEL SHORT BREAKS MARKET SEGMENT**

#### **INTRODUCTION**

The traditional resort vacation is a two-to-four week trip to the location of choice, as witnessed by the pan-European exodus of July and August. Yet increasingly travellers are opting for shorter trips from a long weekend to a maximum of 7 days. Those who take short-stay breaks tend to take more holidays and try a wider variety of experiences and destinations. Recreational resorts have become very popular short stay destinations, both at weekends and during the mid week period.

Considerable growth has occurred in the UK short break market during the last 10 years. As the pattern of holidays has changed, with continued expansion in the overseas package holiday market and decline in the popularity of the traditional domestic resort holiday, the demand for short break has increased. Visits to friends and relatives used to be the most popular category of short break accommodation, followed by hotels. Short breaks were typically used to supplement the main overseas holiday once or twice during the year.

### 2D.3.1 DEFINITION-DEMAND OF SHORT BREAKS

The definition of a short break is not very precise. Travel and Tourism Analyst [99] suggests that in practice most short breaks are two or three nights. Euromonitor adopts a broader interpretation of the term, which it uses to describe all holidays of up to and including four nights duration. This more accurately reflects the current trend towards greater flexibility in the hotel sector of the market, where short breaks are now available throughout the week.

The demand for hotel short breaks is met by tour operators like Rainbow and Superbreak; transport specialists, like Golden Rail and National Holidays; hotel companies such as Crest, Embassy, Ladbroke, Rank, Thistle and Trusthouse Forte and independent hoteliers. The fragmented nature of this provision creates difficulty in trying to appraise market size [21].

One of the difficulties that hotel companies face is the uncertainty of demand for accommodation from overseas markets, which can be influenced by world-wide events. These changes can occur unexpectedly, whereas the domestic demand for short breaks has grown and is more or less constant throughout the year. This has caused the hotel operators to pay more attention to the importance of selling their product in a domestic marketplace that has become much more competitive.

### 2D.3.2 DEVELOPMENTS IN RETAIL DISTRIBUTION

Hotel short break operators have concentrated on maximising sales through retail distribution of brochures. This is a cost-effective way of reaching a diverse market, as the consumer decision process typically begins with the collection of brochures from a travel agent. There are two key distribution challenges for operators. These are **to obtain preferred brand status with the multiple retailers and to increase brand awareness as the short break market continues to grow and evolve.**

A significant development arising from the growth and intensification of competition in the hotel short break market has been the policy adopted by a number of the large multiple retailers, who have reduced the number of brochures featured, opting for two or three preferred brands that offer good geographical distribution and choice of types, prices and styles of hotels.

Highlife Breaks has been able to maintain a strong position in retail distribution because it has several unique features. Although Highlife is owned and operated by Thistle Hotels, two-thirds of the hotels in the programme are operated independently or by other hotel companies. This gives the brand variety, widening the choice of hotels available to the consumer.

{Source: Tourist Board, Glasgow, 1994}

As the marketplace is evolving, **there is a need to develop retailer brand awareness and uncover changes in consumer expectations and demand patterns.** Highlife is supported by a regionally based sales team who are able to get to know the retailers personally. Their role is to sell, to make special promotions and to train.

What is gathered from personal contacts is utilised in various ways. For example, information on agency sales can be tracked by region, by areas within the region or by retail outlet classification. The level of business generated for hotels in the programme is also monitored regularly and can be compared against this retail sales data. Training usually occurs in the retail outlet, but may also be part of an educational visit to a hotel. This ranges from a residential familiarisation trip to a breakfast or luncheon meeting. The most important aspect of the work involves increasing awareness of attractions in and around hotel locations and conveying information about the quality, standards and facilities of hotels featured in the Highlife brochure. A particular challenge is to establish connections between brochure imagery and retailer experience of hotels in the programme. If travel agency staff are confident that Highlife brochure impressions are realistic, they are able to recommend with confidence and assurance.

The impact of visual information on the consumer requires careful enquiring to ensure that the brochure remains appealing to target market segments. For example, recent changes to the Highlife label have been used to create a more contemporary brand image. A simpler, more elegant design conveys the upper end of the market positioning of Highlife more effectively. **The consumer recognizes quality, value for money and other brand benefits sought from reading the brochure.** These impressions then become brand expectations, which act as guidelines for assessing relative satisfaction with the hotel experience. Hotel management and staff may therefore have to cope with unknown consumer requirements. It is, therefore, necessary to develop subjective consumer-based performance measures in order to recognise the operational implications of the above statement.

### **2D.3.3 CONSUMER MEASURES OF HOTEL PERFORMANCE**

**To establish and successfully maintain brand reputation with retailers and consumers, quality assurance procedures are necessary.** Hotels applying for inclusion in the Highlife programme are evaluated according to established criteria, with visits and reviews undertaken on a seasonal basis. It is therefore expected that member hotels will develop procedures to deal with quality and service-related issues, ranging from refurbishment needs to complaint handling.

Insights on consumer thinking and behaviour may present a series of operational challenges for hotel management and staff. There are, for example, differences between business and leisure usage of hotels that need to be fully explored. One of the critical issues that separates business travellers, who usually have more experience of hotels, from leisure users is their reaction to incomplete information. The business user may feel irritated, but the consequences of incomplete information are more far-reaching for the new leisure user.

{Source: Tourist Board, Glasgow, 1994}

The consumer decision process for a hotel short break may involve judgements about cost, hotel suitability and other concerns that travellers do not usually have to consider in detail. The following examples are typical responses from leisure-break consumers describing reactions to accommodation, food, beverage and service components of the hotel experience. They show the impact of consumer correlations with the hotel product.

#### Example 1

As the facilities represent a high-cost element of the short break, consumers typically seek to confirm the relationship between **value for money** and the **standard** of accommodation. The most frequently used reference point is the consumer's home:

*"...when you go to a hotel it has got to be at least as good as your own home...In general decor, warmth or coolness, the atmosphere, the fittings in the rooms, the bathroom cleanliness. Things like that have got to be as good otherwise there is no point in going." [21].*

#### Example 2

The hotel guest room has both functional and expressive roles to fulfil during a leisure break. The leisure user generally spends more time in the room than the business user and consequently expects to find comparable facilities with those at home - a high standard of decoration and furnishing and an overall design effect which provides relaxation:

*"In the design you have got an irregular shape and it does alter the outlook tremendously. You feel straight away it is a much more friendly room. The other feature we noticed was that you have got a double seater couch in there, which is quite different from the natural armchairs. I always find individual armchairs are quite unacceptable because it gives a feeling of separation ". [21].*



### Example 3

Assymetry and contrast in the design of public areas can help to prevent the formation of unconscious impressions of uniformity and repetition. Ideally, design features should project warmth and individualism to stimulate relaxation. In the following example, a consumer describes the negative psychological effect of monotonous hotel corridors. This can make the consumer feel tense:

*"When I see a long corridor where everything is absolutely identical all the way down, I shudder, irrespective of what the rooms are going to be like at the end... if you are looking from the end of the corridor, it does make a psychological impression, straight away, that it is not regimented ". [99].*

### Example 4

A feeling of isolation can also be created by the atmospheric effect of public-area design. The style of building, use of space and the way in which this affects the behaviour of hotel staff may, in turn, affect consumers who often describe the overall impact as warm or cold:

*"... the size, or the visible size of a hotel seems to make no difference whatsoever... I think that if the hotel itself is cold, then the staff are cold...I think that the management of the hotel can easily tell this by what their turnover of staff is, and the general atmosphere ". [21].*

### Example 5

Food and beverage areas in hotels are often ill-equipped to cope with the different expectations and exact demand of the leisure traveller. They are sometimes perceived to be over-priced, too formal and unimaginative. The following comment was made by a very experienced hotel user:

*"It is unusual to find a large hotel (or chain) that is doing anything that is not absolutely predictable in food... if it is good, it is awfully expensive...I observe the standards in the UK are typically not as good as they are in the US " [21].*

Responding to this kind of criticism, several hotel companies have introduced multi-purpose restaurants into their hotels. For example, Thistle Hotels' Brasserie concept offers a relaxed, more informal style of restaurant, with a menu range and price that are particularly attractive to the leisure traveller.

#### **2D.3.4 IMPROVING OPERATIONS MANAGEMENT FOR HOTEL SHORT BREAKS**

By recognising that consumers are likely to consciously appraise product tangibles and react subconsciously to less tangible elements like design and atmospheric effects, managers can attempt a more complete and systematic operations audit.

Hotels with regular tourist business throughout the week are well placed to meet the needs of the short break consumer. However, the issues involved become more complex where there is a limit between midweek and weekend business, or where services are geared with little or no flexibility for the business traveller. It is essential that managers and staff fully appreciate the dynamics of cost-benefit analysis for their operation and situation.

Short break consumers are spending their own money and therefore perceptions to value for money are more acute. More specifically, because of the saving and investment input, the satisfaction output requirement may be determined by ideal mental and physical states. These commonly include the desire to forget about work-related problems and to feel relaxed at the end of the break. If staff are unaware of these expectations and fail to recognise the importance of reducing consumer tension, dissatisfaction with service interactions will occur. In the majority of cases, hotel or even brand loyalty will be affected.

{Source: Tourist Board, Glasgow, 1994}

### **2D.3.5 MARKETING TECHNIQUES WHEN EXPLOITING THE SHORT BREAK SEGMENT**

With the rapid growth in short-break holidays over the last years special interest holidays have increasingly featured in the off-season activities of hotels and resorts. For example, in the UK the industrial town of Bradford that has faced some problems in regard to its industrial production within 90's (as well as promoting industrial heritage tours of former and existing clothing factories) makes use of its substantial ethnic Indian population and promotes special breaks based on Indian culture and heritage, particularly Indian food. This is supplemented by its location close to the home of the Bronte sisters, which attracts both general and specialist literature enthusiasts. On a broader scale, national tourist authorities have also focused on special interest holidays, promoting gourmet food and wine attractions, genealogy, art, etc.

{Source: European Commission, Directorate General XXIII, Tourism Unit,1996}

Hotels have shown particular interest in special interest groups for filling through periods. The Hotel Norwich, for example, employed a specialist advisor, in 1994, and included weekends on subjects as varied as Ghosts and the Macabre, Vintage Cars, Norfolk's industrial heritage and Ancient Churches of Norfolk. The hotel also established and mailed out details of a Special Interest Helpline, challenging people to come up with an idea they couldn't offer, and used direct mail to access special interest associations. A key point is making friends with journalists and the possibilities for widespread promotion through press features and to encourage repeat business. Another key point which emerges from the experience of the Hotel Norwich and other operators is the importance of targeting.

{Source: English Tourist Board, 1996}

ETB employed, in 1995, a specialist consultant in order to develop various **key points when exploiting the enthusiast market**. Some of these techniques are summarised below in order to consider, when targeting various associations, clubs or any other affinity groups, including:

a) **audit local heritage - cultural, scenic and historic** - and locate the specialist strengths of the area. Within a radius of 40 or 50 kms, what **points can be linked together** to create a programme which is of genuine appeal?;

b) **assess the practicalities of packaging the topic concerned. How big is the potential market and will it have mass appeal**, or be a minority interest? Are there **seasonal constraints**?

c) **research the market**, talk to local experts in the chosen subjects, **assess the strength of the overall package's appeal**. Talk to the national organisation for the subject concerned and inquire about overall membership for the specialist association, what kinds of people, (for example spending power, demographics, tendency to travel) are they? What competition exists? How do they rate the proposed programme that they are offered to buy?

d) **add a special ingredient to the suggested programme**, ideally an item which people can not book or do themselves - like **a private behind-the-scenes tour of a castle or collection** -, or a chance to listen to an expert in the field. Another significant element is to **secure third party endorsement** for the programme. This adds status and credibility to the package, and offers it with an advantage which is genuine added value;

e) **how should the special interest package be promoted?** The first decision is whether to go for **groups or individuals**. With groups in mind, a trick is to **invite the representative of a national organisation** to sample the proposed package as it is your own guest, or **target coach operators** who may be willing, based on the incentive of the keen net price being offered, to go out and market the package to prospective clients. **More and more travel agents, especially independents**, are also in the market to promote party travel;

f) Finally, **one approach for attracting individuals is to get into a tour operator's programme**. Another tactic is to **offer the package to hotel guests**, with a welcome pack of detailed notes, free admission to appropriate attractions, and possibly a suitably themed menu.

The advantage of this method is that there are very few up-front costs, and above all, there is no need to set specific dates or create specific charges only to attract a small response. The main drawback is that this approach is unlikely to attract people when they are most wanted out of season. A set date strategy is higher risk - bedrooms are booked in anticipation, guest speakers contracted, privilege visits arranged, and so on. This approach can be successful, but may need a multidimensional campaign, like press releases to travel writers, advertising in enthusiast's media, purchasing mailing lists, mailings to past hotel guests and so on. A costly strategy, but potentially worthwhile considering if the hotelier or operator seeks to build a national reputation in this particular area.

{Source: English Tourist Board, 1996}

## CONCLUSION

Industry forecasts relating to the growth potential of the short break market are optimistic. One of the most encouraging comes from “**Pannell Kerr Forster Associates, 1996**” which suggests that short breaks are the major growth segment of UK domestic tourism. This is partly because the structure of the UK economy is beginning to change. An increasing number of people are employed in service industries, meaning that for many, the traditional weekend-based break is impractical. The pattern of demand for hotel short breaks has also been influenced by demographic changes. The number of retired and elderly people has dramatically increased and demand for greater flexibility from these sources is beginning to influence policy on the availability of hotel short breaks.

When considering to exploit this enthusiast market segment, the commitment of the supplier to the special interest concerned is often a key success factor. The ideal way when promoting a special interest package is to set a budget, choose an appropriate mix of tactics, take full Public Relations advantage from the idea and generally build a niche market which is of long term value.

## **4 THE FUTURE FOR THE BUSINESS TRAVEL MARKET SEGMENT**

### **INTRODUCTION**

It is crucial for managers in the hospitality industry to have an idea of how to view demand in the industry, in order that plans and budgets may be made as accurately as possible. Let us take, for example, the nature of business demand in hotels. It would be difficult to underestimate the importance that the business travel market has had on the UK hotel industry in the past decade. The 1980s were the time when much of the strategy of the major British hotel groups was geared to the perceived buoyancy of the business market. The market, consisting of both individual/small group travel and large numbers of people at a particular event, for example, conference and meeting markets, was seen to be far more attractive than the lower spending of the holiday markets.

The importance of the markets can be emphasized by the occupancy they generate in hotels. The Horwarth and Horwarth figures from their survey of 359 hotels give a total of 67 per cent of occupancy coming from conference and meeting markets (1994). At a more general level, the emphasis that companies put on business markets can be seen by the weight that current market strategies like leisure centres, conference facilities, business women rooms which are designated to gain market penetration and secure brand loyalty.

For the future, hotel groups seem to be designing many of their new packages for the business traveller. Holiday Inn's Garden Court is just one example of a particular brand being introduced. On a more general basis, there are the suite hotels introduced in the USA which have been searching a new opportunity to capture segments of the market.

**2D.4.1 THE POTENTIAL OF BUSINESS TRAVELLERS**

Business travellers are considered to be a small secondary market in comparison with leisure and vacation travellers. This myth has been perpetuated because there are fewer business travellers than leisure and vacation travellers. For example, in 1995, according to WTO estimations, **Europe had 295,144,000 international tourist arrivals out of which 198,049,000 were for leisure, recreation and holidays and only 50,938,000 were for business and professional purposes, that is 67.1% and 17.3% share, respectively.** However, what business travellers lack in number they make up for concerning intensity because **business travellers are more likely to use lodging facilities on their trips than leisure travellers. In fact, 73% of the business travellers stay in hotels while only 42% of leisure travellers use lodging facilities on one of their average trips.** According to the US Travel Data Center’s Survey of Business Travellers, frequent business travellers **take 10 or more trips per year.**

{Source: US Travel Data Center’s Survey of Business Travellers, Washington DC, 1996}

In the following Tables, the international tourist arrivals by purpose of visit in 1996, as well as the arrivals for business and professional purposes in the last 4 years, are demonstrated in order to exhibit the business travellers potential among the 6 major geographical regions. It is quite evident that **Europe confirms once more its leading position in terms of attracting business travellers, followed steadily by the Americas. However, East Asia/Pacific seems to become quite competitive by increasing their percentage of business travellers arrivals with the fastest pace than any other region.**

**Table 17, International Tourist Arrivals by Purpose of Visit, 1996**

	Total tourist arrivals (000)	Purpose of visit (000)		
		Leisure, recreation and holidays	Business and professional	Other purpose of visit
AFRICA	17,780	10,603	2,999	4,178
AMERICAS	98,491	72,849	15,546	10,096
EAST ASIA/PACIFIC	49,582	31,226	8,693	9,663
EUROPE	295,144	198,049	50,938	46,157
MIDDLE EAST	5,096	2,033	2,068	995
SOUTH ASIA	3,255	2,134	429	692
WORLD TOTAL	469,348	316,694	80,073	72,581

	Total tourist arrivals (%)	Purpose of visit - % share		
		Leisure, recreation and holidays	Business and professional	Other purpose of visit
AFRICA	17,780	59.6	16.9	23.5
AMERICAS	98,491	74.0	15.8	10.3
EAST ASIA/PACIFIC	49,582	63.0	17.5	19.5
EUROPE	295,144	67.1	17.3	15.6
MIDDLE EAST	5,096	40.0	40.6	19.5
SOUTH ASIA	3,255	65.6	13.2	21.3
WORLD TOTAL	469,348	67.5	17.2	15.3

Source: World Tourism Organization, 1997



**Table 18, Arrivals for Business and Professionals - Thousands, 1992-1996**

<b>Region - Country</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>
WORLD	68,937	72,013	77,734	51,848	81,531
AFRICA	2,206	2,394	2,726	2,941	3,029
EAST AFRICA	395	398	475	568	573
NORTH AFRICA	895	944	1,003	978	942
SOUTH AFRICA	454	620	789	936	1,033
WEST AFRICA	366	370	392	400	428
AMERICAS	13,365	14,099	15,754	15,867	16,070
CARIBBEAN	1,241	1,122	1,111	1,260	1,311
CENTR. AMERICA	359	452	525	585	673
NORTH AMERICA	10,954	11,574	12,599	12,571	12,595
USA	8,303	9,027	9,925	9,614	9,556
CANADA	2,265	2,180	2,256	2,293	2,361
MEXICO	386	367	418	664	678
SOUTH AMERICA	811	951	1,519	1,451	1,491
EAST ASIA/PACIFIC	6,055	6,186	7,134	8,720	9,414
NORTHEAST ASIA	3,300	3,372	3,978	4,889	5,008
SOUTHEAST ASIA	2,172	2,254	2,563	3,166	3,623
AUSTRALASIA	460	443	462	531	632
MELANESIA	58	49	55	55	61
MICRONESIA	40	39	46	42	53
POLYNESIA	25	29	30	37	37
EUROPE	45,016	47,346	49,560	51,823	50,447
CEN/EAST EUR	4,995	6,623	7,893	10,215	9,907
NORTH EUROPE	5,747	5,494	5,668	5,948	6,508
SOUTH EUROPE	12,199	12,267	12,662	13,092	13,897
WEST EUROPE	21,485	21,500	22,362	21,741	19,386
EAST/MED EUR	590	1,462	975	827	749
MIDDLE EAST	1,928	1,541	2,107	2,068	2,153
SOUTH ASIA	367	447	453	429	418

Source: WTO, 1997

## 2D.4.2 PREDICTIONS ABOUT LEVELS OF BUSINESS DEMAND

Since there is always the problem of being quite fragmented, it is difficult to draw forecasts about levels of demand over the next few years. Therefore, it is quite helpful to have some frameworks which try to provide some elements of prediction. The frameworks are contained in "**The Decade Review** " [84] by Kleinwort Benson. During the early summer of 1990, specialists dealing with the hotel industry had the opportunity to listen to Paul Slattery, originator of these views, explain his ideas in more detail.

His view starts with the assumption that most businesses have to send employees away from their place of work on trips. The volume of these trips (as measured nationally) will vary. The problem is to find out on what basis the volume of demand varies and the extent to which this knowledge can be used properly. There are two approaches which Slattery presents as competing models to explain the development of business markets. These are the Bonus and Structural theories of Business demand.

## 2D.4.3 THE TWO THEORIES

The **Bonus Theory** basically represents the conventional view of demand. It assumes that the amount of travel is related to companies' economic health which is usually judged, on a national basis, by the rate of economic growth [84]. Faced with **hard times** businesses will economise on travel costs if they can. The pressures for them to do this will be greatest when the rate of growth in the economy slows down and profit margins are squeezed. Particularly at risk will be business travel which is provided to give employees a little extra, whether this extra is thanks for past achievements (incentive travel) or amusements, conferences with a high element of recreation or entertainment organised to motivate employees. Effective and pleasant as these methods may appear during times of economic growth and prosperity, they do not seem so necessary when sales are being hit and margins are falling.

The second theory is **The Structural Theory** of business demand. This provides for a very broad linkage between the levels of business travel and the economic structure of industry within a country. This analysis is essentially comparative because it compares the profile of hotel demand in different types of contemporary economies and identifies three main stages that economies pass through. For each stage of economic development, business travel demand takes on a different pattern [84].

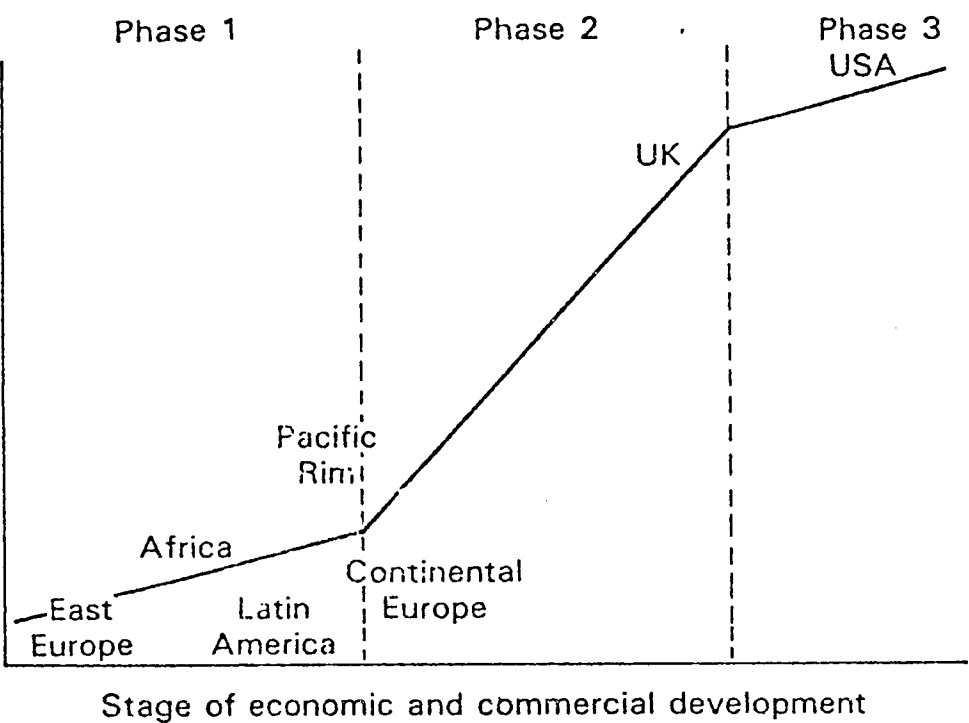
**During the first stage of economic development**, the economy is dominated by single site firms which serve local markets. Thus the need for travel is not high. In countries which trade internationally, demand which does arise often comes from multinational business.

**In the second stage**, business demand responds to two main economic developments. In the first place, there is a growth in the number of multisite firms in the economy. As companies grow and become more sophisticated, so do the markets they serve. Thus, rather than having a focus on local markets, they serve national and international markets. Reorganisation will in itself create a need for travels as, more importantly, will the need to ensure standards over a wide range of corporate functions such as accounting, personnel, training and marketing. As Figure 7 illustrates these developments will, under the assumptions of the theory, lead to significant increases in demand.

**The third stage** occurs once the major changes in corporate structure have taken place. Once created, large international and multinational companies will not require the increases in business travel that were previously the case. This does not mean that there will be a drop in the amount of demand, but it will mean that it grows only more slowly.

The point that **the Structural Theory** is making is that demand will not follow a cycle driven by national economic conditions. More important will be the overall structure of industry and the changes this is undergoing.

Figure 7, Evolution of Business Demand



Source: Based on the Structural Theory of Business Travel as contained in Kleinwort Benson, *UK Hotels plc – The Decade Review*, 1990.

## 5 BUSINESS AND CONFERENCE TOURISM IN THE EUROPEAN ECONOMIC AREA

### INTRODUCTION

The objectives of this section have been to draw up and to map the scope and extent of the business tourism sector in the **European Economic Area (E.E.A.)**, and to identify major problems affecting the sector. Furthermore, it has sought to propose solutions to problems in order to strengthen the competitiveness of Europe's business tourism sector in an international context. This section summarises the market research presented in the study on **"Business Tourism and Congress Tourism in the European Economic Area"** by Horwath Axe Consultants (Paris), in Geneva, 1996. It comprises a short compilation of the major statistics of the market (supply and demand), it demonstrates the most recent results of the study commissioned by the British Tourist Authority in 1995 and presented in 1996, regarding the trends and levels of activity in the UK conference industry and also exhibits the trends and perspectives on a European level for the different sub-sectors of Business Tourism, which include:

**Individual business trips**

**Conferences and Conventions**

**Seminars**

**Exhibitions and fairs**

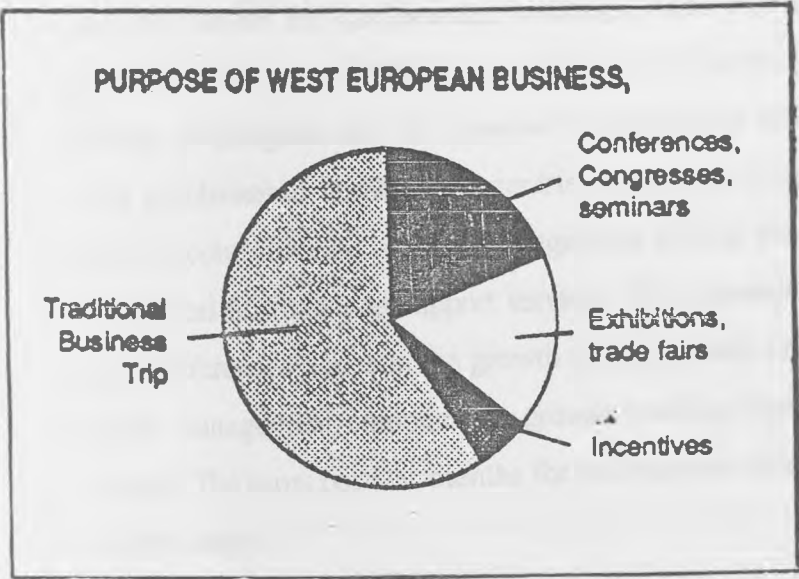
**Incentive trips**

**Individual business trips** can not always be strictly included in **"Business Tourism"**, because their nature is fundamentally different. **Individual business trips** have as their main objective travel to a given destination, and if necessary an over night stay, while for **"Business Tourism"**, **travel to and the time spent in a given destination for a specific professional event** (e.g. a conference, meeting, trade exhibition or incentive trip) is the principal objective.

2D.5.1 Business Tourism Sub-Segments

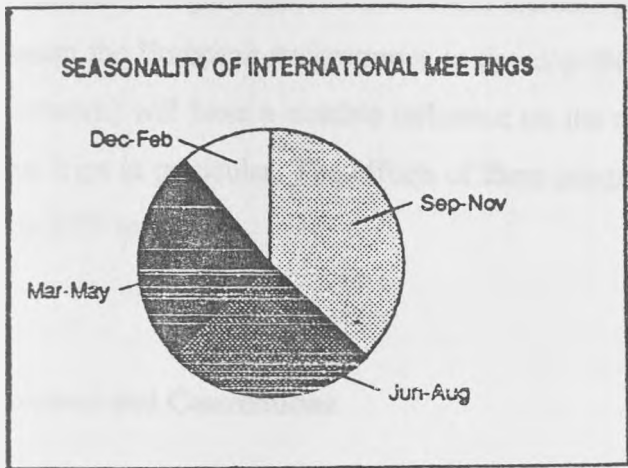
Business travellers play an important role in easing some of the effects of the seasonal incidence of holiday-taking since business activities within Member States, and thus trips, are generally reduced during the peak season. Business travel within Member States is particularly important, representing the largest market for hotel accommodation. While many business travellers travel in response to economic or business environment purposes, a substantial proportion of business trips, ie. Conventions, conferences and incentive travel, may be influenced in order to reduce seasonality. According to European Commission, within the EU, Germany and the UK are the principal markets for outbound business travel.

Table 19, Purpose of West European Business, 1995



Source: European Commission Directorate General XXIII, Tourism Unit, 1996

Table 20, Seasonality of International Meetings



Source: European Commission Directorate General XXIII, Tourism Unit, 1996

The international market for conferences, meetings, trade exhibitions, seminars etc. has become increasingly competitive since 1990. The importance of this market both in terms of the high per capital spending of delegates and as a device for increasing off-season occupancy rates has been recognised by a substantial number of countries and cities. High revenue generation stems from expenditure on accommodation, food, beverages and gifts at the top end of the market, as well as expenditure on local business and support services. The increasing competition for, and complexity of organising, conferences has seen the growth in recent years of professional conference organisers and destination management companies - ground handling agents, who specialise in catering for incoming groups. The most popular months for international meetings are the months of September, October and November.

**Individual Business Trips**

**Individual business trips** are difficult to quantify because of the large diversity in the types of transportation and accommodation used compounded with the difficulty to conduct reliable counts at the borders or in the host facilities. Nevertheless, according to a survey of European businesses, the volume of demand generated by individual business trips is estimated at approximately 115 billion ECU. {Source: American Express Travel Management Services, 1996}

The trends observed in 1995/96 indicate a growth in the number of trips combined with a reduction in the average spend per trip. Development of faster modes of transportation contributes to a decline in the number of nights spent in hotels and increasingly allows a return day trip within Europe. For this reason the European programmes to develop the transportation infrastructure (e.g. high speed train network) will have a notable influence on the number of trips in general, and the number of business trips in particular. The effects of these programmes are not likely to be measurable before the year 2005 to 2010.

**Conferences and Conventions**

**Conferences and conventions** constitute the most evident segment of business tourism because these events assemble a large number of participants in one place and generally for a short period of time. The conference market is particularly important to the hotel industry as it increases occupancy rates during the off-peak season. Many early conference centres were of a rudimentary nature, often adaptations of buildings constructed for other purposes, and bear little relationship to modern facilities. At the top end of the scale, modern facilities include exhibitions halls for trade shows, meeting rooms capable of accommodating as many as 3,000 delegates, areas for group registration and administration, and of course the full range of audio-visual facilities and communications centres to handle the needs of a major international conference gathering.

{Source: Union of International Associations, Brussels, 1996}

At this time there is no uniformity in the European conference market. The supply comprises a large number of varied facilities (purpose built conference centres, hotels, universities and multi-purpose venues) that compete on a national and international level.

In 1996, the supply of major European conference centres of an international standard comprised approximately 261 facilities distributed by country as illustrated in the Table 21 below:



**Table 21, Number of Conference Centres\* and the National Seating Capacity in the E.E.A. - 1996**

	A	B	D	DK	E	F	FIN	GB	GR
Main conference centres	263	312	535	174	300	745	197	633	84
National seating capacity	160.000	579.221	187.250	30.600	650.000	1.000.000	45.000	618.000	36.000

	I	IRL	IS	L	N	NL	P	S	Total
Main conference centres	380	45	11	24	124	347	103	126	4.403
National seating capacity	600.000	25.000	6.800	16.000	138.000	331.000	50.000	50.000	4,54 million

{Source: Horwath Axe Consultants, 1996}

In addition to this supply, there are a multitude of other facilities which operate in the same market, but they do not always have the appropriate technical equipment and/or the supportive socio-economic and tourism environment.

After the waves of development in the 1980's, the supply of conference facilities has reached an over-supply situation in many areas, and new developments, now concentrated in undersupplied regions, are becoming increasingly rare. The evolution of the supply of European conference facilities is increasingly characterised by a **progressive upgrading of the existing facilities**, in order to satisfy the growing requirements of clients in terms of facilities, and especially **flexibility of areas, of services and on prices**.

{Source: European Commission Directorate General XXIII, Tourism Unit, May 1996}

**\* Conference Centres:** Purpose built conference venues accommodating a minimum of 300 delegates and offering permanent qualified staff and international equipment and environment.

In particular the possibilities offered by new information technology (i.e. tele-conferences), which do not pose a threat to the size of the market in the medium term, are now considered to be essential equipment for marketing international facilities. This constant upgrading of the European supply is considered essential to face the real competition that has developed in destinations of the Asia-Pacific region.

Traditionally, Europe holds the top position in the world for the hosting of international conferences, as shown by the Union of International Associations (UIA - Brussels) figures below:

Table 22, Number of International Conferences in the E.E.A. - 1995

		A	B	D	DK	E	F	FIN	GB	GR
Main	conference	7	13	30	8	24	94	7	14	2
centres										
National	seating	64,200	18,400	50,000	15,700	40,000	90,000	25,500	79,500	2,800
capacity										

		I	IRL	IS	L	N	NL	P	S	Total
Main	conference	32	0	1	1	3	13	4	8	261
centres										
National	seating	85,000	0	4,000	1,550	10,200	24,500	41,500	23,000	575,250
capacity										

{Source: Horwath Axe Consultants, and U.I.A., 1996}

To this international demand must be added the domestic demand, which represents approximately 80% of the number of events. However, in the majority of cases, these events are significantly smaller in size, with an average number of participants usually less than 50.

At the European level, as on a world-wide scale, there is a relative stagnation in the number of large events and an increase in the number of smaller meetings. In parallel, the average duration of events is shortening, and the content becoming increasingly scientific and technical due to the case in operating new information technology.

In spite of a strong increase in competition from destinations in the Asia Pacific region, the outlook for the European market remains **favourable** due to the fact that **80% of current demand is domestic or generated by neighbouring countries**. One of the principal assets of the European market lies in its **maturity and the professionalism acquired by its operators**.

{Source: European Commission Directorate General XXIII, Tourism Unit, 1996}

## **Exhibitions and fairs**

**The exhibition market** is one in which the supply is relatively easy to identify because of the size of facilities and the heavy investment required. Frequently, at a national or regional level, the exhibition and fair markets are based on regularly held events and increasing technical specialisation.

The countries of the European Economic Area have about **130 exhibition complexes** offering on average more than **10,000 square meters** of rentable surface area, the size generally required to attract events of an international level. The overall supply totals more **than 6.7 million square meters**, most of which is concentrated in Germany, Italy and France.

The European market for exhibitions and fairs corresponds to about **19 million square meters rented per year, that is between 70% and 80% of the world's capacity**. The total number of exhibitors is estimated at over **420,000** and the number of visitors, inclusive of public fairs and trade exhibitions, is estimated at around **50 million**. {Source: World Tourism Organisation, Department of Statistics and Market Research, 21 May 1996}

The revenue associated with exhibitors and fairs in Europe is considerable, resulting from direct expenditure of visitors and exhibitors during their stay, but particularly from the spending linked to the hire of equipment and services for exhibition stands. Finally, fairs and exhibitions are considered a powerful factor in generating growth in employment and other economic repercussions for the recipient towns and regions.

## **Seminars**

**Seminars** are much harder to identify than conferences because they are generally of smaller scale (frequently 20 to 50 participants) and there exists a very diverse supply of facilities that hosts these events, including hotels, meeting halls, universities, historical sites, etc.

Nevertheless, on a European scale, **seminars and other business meetings** are estimated to represent an average of about **15%** of total activity in hotels, that is a volume estimated at more than **160 million bed nights per year**. This market segment is estimated to generate a turnover approximately **20 billion ECU on accommodation in hotels in the member countries of the European Union**.

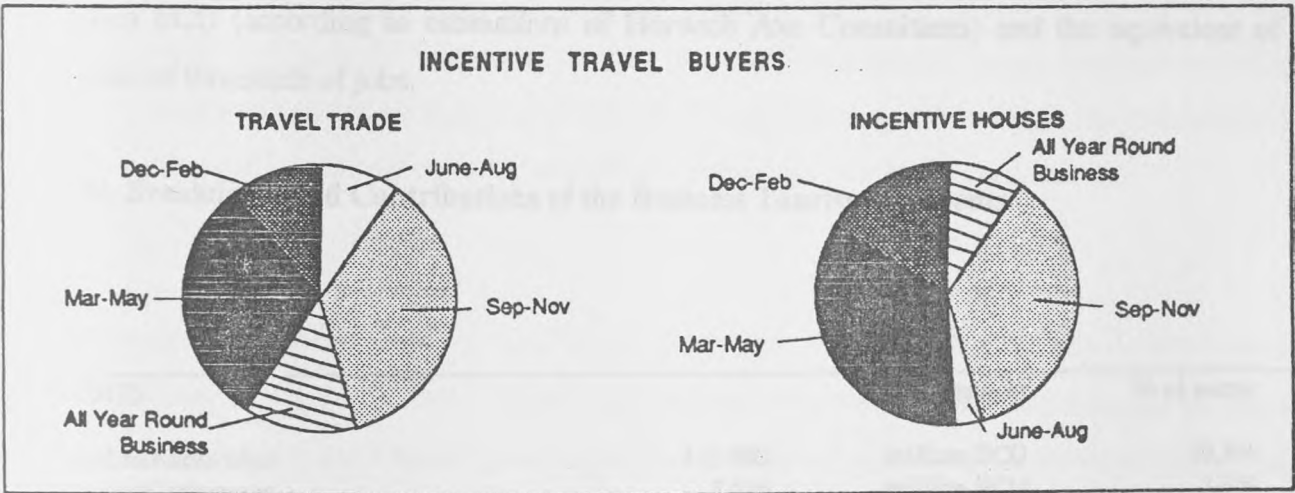
{Source: World Tourism Organisation, Department of Statistics and Market Research, 21 May 1996}

## **Incentives**

**Incentive trips** constitute a separate segment of the seminars and business meetings market. Incentive travel was originally conceived as a motivational tool to reward sales and marketing staff within an organization. The role of incentive travel has since expanded to include all those within a firm who meet targets and goals. Incentive travellers require high service and quality, and demand for incentive travel generally peaks in the spring and autumn.

Specific tailored attractions are key elements in marketing incentive travel destinations- unusual, high profile or unique events, the recalling of which the incentive travellers can use to impress their peers. Examples would include a banquet in a renowned art gallery or golf lessons from a famous golfer. Add-on surprises to incentive holidays such as theme parties, extravagant banquets etc., are important selling points to the buyers. The North American market is the key generator of demand.

Table 23, Incentive Travel Buyers, 1995



Source: WTO, Department of Statistics and Market Research, May 1996

However, there has also been substantial growth in Europe. Having favoured long haul destinations in the 1980's, incentive trips are returning to the European and Mediterranean regions (short or medium haul trips). Due to the costs incurred and the economic context of recession, companies favoured less prestigious and expensive destinations, putting emphasis on the quality of the organisation and content of the programme.

To this end, the European destinations, have the opportunity to reposition themselves in this market segment. Europe currently constitutes a considerable demand generating source, which remains significantly under-exploited. European companies generate about 1.5 million incentive trips per year, compared with 5.7 million in the United States market alone (nearly a quarter of all trips are overseas).

These clients are particularly targeted by the destinations and tourism facilities because they generate a significantly higher spend per head than other business tourism sectors, **in the order of 400 to 800 ECU per day per participant**. {Source: World Tourism Organisation, Department of Statistics and Market Research, 21 May 1996}

Overall, the scale of business tourism in the European Economic Area is considerable. The respective contributions of the various segments which compose the business tourism sector are shown in the Table 24 below. They represent an impressive level of direct turnover, in the area of 162 billion ECU (according to estimations of Horwath Axe Consultants) and the equivalent of several tens of thousands of jobs.

**Table 24, Breakdown and Contributions of the Business Tourism Segments**

SEGMENTS		Turnover	% of sector
Individual business trips	115 000	million ECU	70,8%
Conferences/Congresses	5 450	million ECU	3,3%
Business trips	20 420	million ECU	12,6%
Incentive trips	3 900	million ECU	2,4%
Exhibitions/Fairs	17 700	million ECU	10,9%
<b>Total</b>	<b>162 470</b>	<b>million ECU</b>	<b>100,0%</b>

Source: Horwath Axe Consultants, 1996

In addition to this volume of direct turnover, business tourism in the European Economic Area has considerable induced effects and generates a large number of ancillary activities linked to conferences and exhibitions. In total, this induced activity is estimated at 1.5 to 2 times the direct turnover of the sector.

## **2D.5.2 THE UK CONFERENCE MARKET SURVEY**

All around Britain there is an increasing number of hotels investing in and offering in-house conference facilities for training courses, seminars and meetings. Nowhere is this expansion more apparent than in the coastal resorts where many hoteliers facing unproductiveness in the individual leisure travel market have sought to diversify into the conference sector.

Interestingly, according to the European Commission, Tourism Unit, the largest single purpose for business travel continues to be meetings and conventions. This seems to validate the emphasis the hotel experts should be placing on going after the meetings and conventions market.

Another survey conducted by the "OAG Business Travel Planner" and distributed to its subscribers, in 1991, showed that nearly half (**46 per cent**) of the respondents plan an average of **eight meetings a year, with each meeting averaging three hotel nights and 44 attendees**). (Hotel and Motel Management, 1991). These figures offer good reason for hotels to target the small-meetings market.

Regarding meetings and conventions, this same survey showed that **93 per cent of the respondents arrange sleeping rooms, 91 per cent arrange meeting rooms, 80 per cent arrange food and beverage, 75 per cent arrange transportation and 41 per cent arrange recreation**.

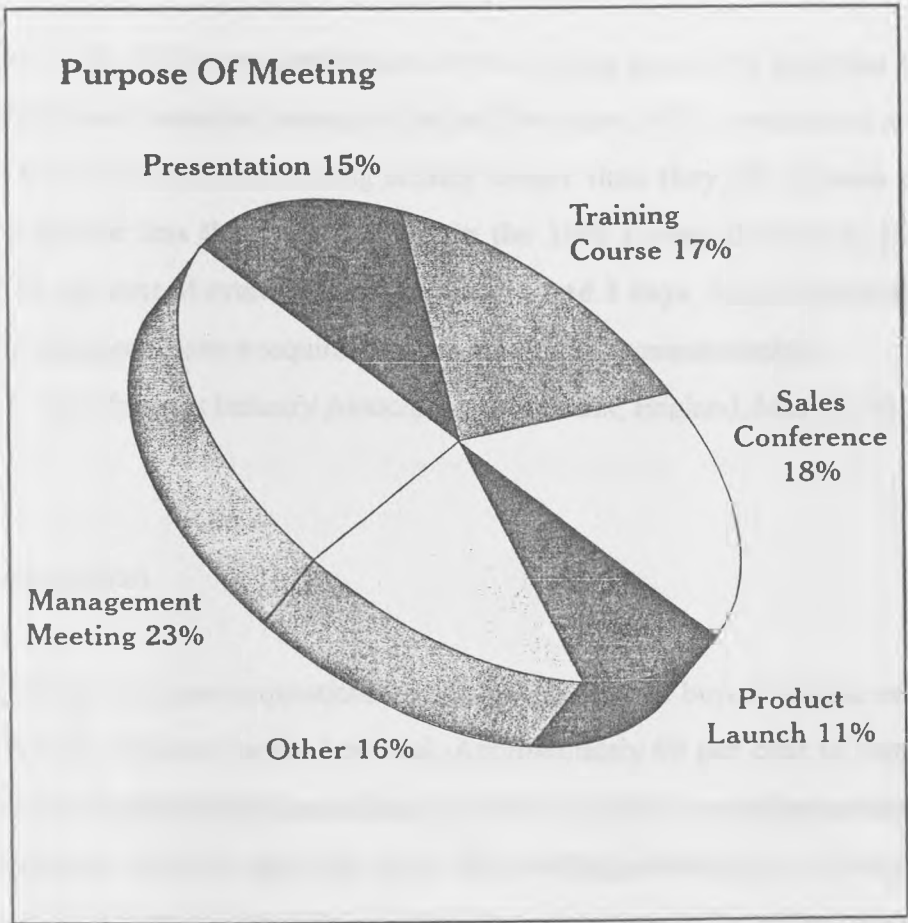
In 1996, **The Meetings Industry Association** presented the results of the **UK Conference Market Survey 1995**, undertaken by The Right Solution. The survey of 1995 is an update of the 1993 survey and the scope of this section is to summarise, analyse and compare the two surveys in order to demonstrate the trends and levels of activity in the UK Conference industry across the country. These two surveys offer an insight into conference buyer trends. In order to carry out the study, a telephone questionnaire survey was completed with 500 known UK corporate conference buyers from a cross section of industries.

A further update of the current **UK Conference Market Survey** was proposed to be carried out in 1996, but the results are not expected to be measurable before May 1997. Although, the samples of the two surveys are not always comparable, some interesting trends emerge:

**Purpose of Meeting**

The most frequent purpose for holding a conference is for management meetings, representing around **a quarter of events** organised. **Sales conferences (18 per cent)** replaced **training courses (17 per cent)** as the **second most important** in 1995.

**Table 25, Purpose of Meeting**



Source: The Meetings Industry Association, Worcester, England, May 1996



## Preferred Location

**The Midlands area of the UK is the most popular region for hosting conferences, closely followed by London. The least favoured regions include East Anglia, Scotland and the North of England. London, Birmingham and Manchester are the most popular cities for conferences. Just 1 per cent of respondents book events in Wales and Ireland (Northern Ireland and Eire). Only 5 per cent of respondents use conference facilities in Europe. Around 70 per cent said they were unlikely to use European conference facilities in the next 5 years, which is good news for UK Conference destinations.**

{Source: Meetings Industry Association, Worcester, England, May 1996}

## Meeting Size

**Compared with 1993, more conferences are now taking place with less than 100 delegates. Clearly, companies have downsized events in the last few years. While event sizes are reducing, the results suggest that conferences are lasting slightly longer than they did 2 years ago. In 1993, half the events were for less than one day but in the 1995 survey this fell to just 31 per cent. With almost 40 per cent of events lasting between 1 and 2 days, it is not surprising that around 70 per cent of respondents have a requirement for overnight accommodation.**

{Source: The Meetings Industry Association, Worcester, England, May 1996}

## Conference Rates

**Judging by the response to questions on pricing, conference buyers remain extremely price sensitive and willing to negotiate for the best deal. Approximately 60 per cent of respondents expect to pay less than 40 sterling pounds including VAT for a 12-hour day delegate rate. Around 40 per cent of respondents expect to pay less than 100 sterling pounds for a 24-hour delegate package including VAT. Just 15 per cent indicated budgets above 150 sterling pounds. This suggests that conference buyers are enjoying significant levels of discounts, particularly on food and overnight accommodation.** {Source: The Meetings Industry Association, Worcester, England, May 1996}

## **Preferred Type of Venue**

**City centre hotels are the most popular conference venues and are used by 56 per cent of respondents on a regular basis. Out of town hotels are second favourite (53 per cent of respondents) followed by in-house company facilities (34 per cent). While the relative importance of in-house company facilities might pose a threat to external venues, almost half the respondents said they never use such facilities.**

Venues that most respondents **never use also include universities, municipal multi-purpose venues, residential conference centres and unusual/alternative venues.** This statistic may reflect ignorance on the part of the conference buyer or may suggest that such facilities do not generally meet their needs.

{Source: The Meetings Industry Association, Worcester, England, May 1996}

## **Venue Selection and Key Factors in Venue Selection**

Compared with 1993, conference buyers in 1995 are evaluating more venues before making a final choice. The average number of venues viewed in 1995 was **4.2 compared with 2.5 in 1993.** Over **80 per cent** of the respondents **book venues direct** and do not use third parties. Those companies using third parties (professional conference organisers, conference placement agencies or production companies), do so because of **greater convenience, their venue knowledge and the professionalism and skill offered.**

**Convenience of location and a good standard of meeting facility** are the main factors influencing venue selection. The **importance of service jumped to third position** in 1995 compared with seventh in 1993. The quality of bedroom **moved up four places** in 1995, perhaps reflecting the increased need for overnight accommodation. **Of least importance** in venue selection are **availability of display/exhibition space, recognised standards through branding, exclusive use of a venue good leisure facilities and a custom built theatre.** **Exclusive use and the availability of display/exhibition space** are far less popular in 1995 than 2 years ago.

### **2D.5.3 CLIENTS PERSPECTIVE ON HOTEL CONFERENCE ORGANISATIONS**

Star Collection is a consortium of twenty-six independent hotels located in Bournemouth, Scarborough and Torquay, three of Britain's major resort destinations. The consortium is funded by member hotels on an annual subscription basis, supporting marketing and central reservation services. Marketing strategies are developed from knowledge of the market, appraisal of past performance and a programme of market research designed to enquire trends and changes in the business and leisure travel markets.

Most recently, the research has sought to identify trends in the in-house conference market and the responsiveness of hotels to the organisers' and delegates' requirements. The research showed that conference organisers believe they should be provided by the hoteliers with more structured information and better guidance on the various components of the conference package. The research also revealed that organisers, delegates, hotel managers and staff often have quite different perceptions and priorities; these contribute to confused and even conflicting communications during the planning and management of an in-house conference event. The client perspective is contained in the following five points for hoteliers and other conference organisers to consider.

{Source: Tourist Board, Glasgow, 1994}.

1) Conference organisers expect hoteliers to provide guidance on in-house conference planning and organisation.

Conference organisers indicated that they expect and would like more help and support from hoteliers in the form of suggestions and advice at the conference planning stage. In particular, they said that they would like to receive more information on hotel services and be invited to discuss the event in detail at an early stage in the planning process. The sense of frustration felt by conference organisers who had not been well informed was expressed in turn by delegates who would prefer to receive more advance information on the hotel and its facilities.

Most conference organisers said that they would welcome advice on the structure and timing of the programme, as well as recommendations and consider opinions about the suitability of food and beverage options and choices. They prefer to receive confirmation of the event booking in the form of a covering letter noting special requirements and running times and when a conference checklist has been supplied, they find this to be a helpful planning aid.

## 2) In-house conference package prices should be fully inclusive with no hidden extras.

Organisers said that they want a realistic all-inclusive price with no hidden extras and felt that hotels competing for their business should automatically provide standard presentation equipment such as overhead projectors, slide projectors and portable screens and lecterns. It was suggested that where hotels do not actually own this equipment, provision should be made within their normal 24-hour delegate rate to include the hire charge if standard items are required. On the subject of syndicate/workshop room requirements, all respondents prefer quiet, spacious syndicate rooms, conveniently located in relation to the main conference meeting room. The provision of business support services has become a key concern for conference organisers. For example, hotels often claim during planning discussions that secretarial support is available, but, if it is provided by hotel reception or secretarial staff, the level and flexibility of support may not be sufficient to meet client needs.

{Source: Tourist Board, Glasgow, 1994}.

Therefore, hotels providing dedicated business support services for conference organisers and delegates will have a significant competitive advantage in the future.

## 3) Conference organisers and delegates need space and facilities to think and work on business tasks.

Conference organisers and delegates reported two concerns in relation to hotel bedroom design and the range of facilities that are provided. Although equipment such as trouser presses, telephone extensions and video machines are used and appreciated, good decorative order and well-maintained, high quality furnishings are considered essential to support private study and relaxation.

As conference delegates are often required to work on papers in between conference sessions, the provision of an adequate working area including a good sized desk top surface is a desirable selling feature. Conference delegates, in particular, were critical of the general level of work space provided in hotel bedrooms and the type and positioning of desk and table top surfaces. This is because surfaces tend to be inconveniently placed for work sessions lasting an hour or more, either because seating space is smaller or because surfaces are too high or low, thereby preventing a comfortable and natural posture for writing.

4) Conference organisers and delegates have different expectations and requirements - staff training should recognise this.

The factors contributing to the success of a conference event need to be viewed from the different perspectives of the conference organiser and the delegates attending; both are client perspectives, but the needs and priorities differ. In order to satisfy both parties, hoteliers should try to appreciate the underlying reasons for this. Meal occasions and the use of leisure time during a conference help to indicate why conference organisers and delegates may have different agenda priorities.

Meal occasions provide an opportunity for delegates to discuss conference business informally, to exchange ideas and make new contacts. As they provide a break from work sessions, delegates also expect to be able to enjoy the social dimension of the event. Consequently, they hope for imaginative menus served in a relaxed, unhurried way.

In contrast, conference organisers are more concerned with keeping the programme running to the scheduled times and may not fully appreciate the value of adequate meal and refreshment breaks unless these issues are fully discussed at the planning stage.

{Source: Tourist Board, Glasgow, 1994}.

Opinions also differ on the role of in-house leisure facilities during a conference. Although leisure facilities are an attractive marketing feature, some organisers expressed the view that they distract delegates from the main purpose of the event. Most organisers felt that leisure facilities were not important for short conferences and where they are provided, that they are used to justify charging a higher delegate rate.

In this respect, leisure facilities were seen as a disadvantage. Conversely, delegates prefer hotels with in-house leisure facilities regardless of the duration of the conference. Most delegates reported that they had attended conferences at hotels without knowing until they arrived that leisure facilities were available for use. This is an obvious source of irritation, especially in the case of popular sports like squash where delegates need to be informed in advance so that they can pack suitable sports clothing and equipment.

The members of hotel staff who were questioned about the perceived expectations of conference organisers and delegates said that they were far more demanding than holiday-makers. They recognised that the pressure associated with a busy conference programme was a contributory factor and, because of this, many staff prefer to deal with leisure travellers. This distinction between business and leisure customers has important implications for the selection and induction of hotel staff and should be developed as a central training theme to ensure that staff are able to recognise and respond quickly to the kind of situations which may arise when conference schedules change unexpectedly.

5) The majority of conference organisers claimed to rely on personal recommendations or past experience when selecting a hotel.

The research indicated that the aim exists for hotels to develop a reputation for good conference management. Respondents rarely felt entirely satisfied with every organisational aspect, but by concentrating on a few of the common requirements of conference organisers and delegates, hoteliers can benefit from the potential to increase their share of in-house conference business by personal recommendation.

Whenever conference organisers had used a familiar hotel, location was also an important factor, either because the hotel was easily accessible for the delegates or because of the benefits of a particular location.

{Source: Tourist Board, Glasgow, 1994}.

In this respect, an appraisal of brochures and other promotional literature may enable hoteliers to improve their market share by emphasising strategic benefits such as proximity to major road and rail links or unique destination features.

#### **2D.5.4 CONFERENCE BRANDS PAY MUCH ATTENTION TO DETAIL**

Hotel groups around England have responded to calls from conference bookings agencies for improved meeting facilities and services by launching conference packages. Branded services such as **Meeting 2000**, **Summit Conferences** and Forte's incentive package, **Successful Destinations**, have all made their appearance.

The policy of paying more attention to the details of conference facilities has been undertaken by John Jarvis, chairman and chief executive of Jarvis Hotels. "*The service delivery concept has not yet really arrived in the U.K.*" said Mr Jarvis.

{Source: Tourist Board, Glasgow, 1994}.

This idea involves matching the right facilities for each meeting by providing, for example, a proper eight-hour chair and not a standard banqueting chair. Jarvis Hotels' conference package, Summit, combines purpose-built meeting rooms with the latest equipment and offers a money-back guarantee if equipment does not work during the conference. Every meeting at the 23 participating Jarvis hotels are allocated a trained Summit conference manager.

Hilton International used Confex, a conference exhibition held in 1991 at London's Olympia, to launch **Meeting 2000** - a tailor-made conference package for meeting of up to 50 people. **Meeting 2000** costs £8 to £10 more per delegate than a standard conference. It supplies a meeting manager to attend to details such as secretarial services and flight bookings. Hilton also provides a choice of menu and can serve meals at any time of the day. The package includes Hilton's eight-hour chair. Hilton has spent £2.5m on launching **Meeting 2000**, which was available initially in its 26 UK hotels. The company developed the package internationally and offered it in 24 countries in 1991.

Inter-Hotels, a consortium of independent UK hotels, has contracted a conference agency to set up and manage a conference booking service. Bill Ross, Inter-Hotels chief executive, said meetings inquiries required a telephone reservation service and trained staff geared specifically to that market. Marketforces Conference Agency, which is based in Bournemouth, supplies a conference telephone service on behalf of Inter-Hotels and has agreed to direct most bookings to Inter-Hotels members. {Source: Tourist Board, Glasgow, 1994}.

Council tourism organisation Devon Tourism has published a directory of conference places in the UK in an attempt to attract year business. The guide-book features 14 hotels and 2 conference centres and is intended to take advantage of the present trend of switching American and Mediterranean conferences to UK places.

## CONCLUSION

Regarding the future development of these business tourism market segments, it is anticipated a good outlook or growth of the market, without being able to quantify it with precision. The **individual business tourism market**, as for that of **seminars**, usually reacts in line with the general economic growth, but with a slight time difference due to the anticipation of events. The **exhibition and fairs market** is experiencing sustained growth, greater than the growth of tourism as a whole. Finally, it is anticipated that **incentive travel** should also experience a **rapid expansion**, similar to the evolution that the American market experienced.



Overall, it is estimated that the outlook for the business tourism sector will **grow globally at a superior rate than that of the tourism market** in general, for which, according to the World Tourism Organisation, **a 2.7% average annual rate of increase is forecast in the years up to 2000-2005.**

{Source: World Tourism Organisation, Statistics and Market Research, May 1996}

This optimism is based on major trends observed in the market over the last few years. These include:

- a) a significant growth in the need to exchange information which, beyond the growing utilisation of new technology, multiplies the number of meetings and events bringing together professionals;**
- b) an increasing specialisation and professionalism of activities, which results in a growth in training needs and the necessity for permanent updates;**
- c) international companies face tough competition from the non-European markets, which requires an increased co-operation and strategic planning between the Europeans and world-wide players.**

All of these trends and factors are supportive of a sustained growth of business meetings and professional exchanges in the European market, which remains strongly positioned but must stay ahead of the world's competition by putting an emphasis on its high level of professionalism and its product diversity and quality. This will support a long lasting and profitable market success and contribute to its overall socio-economic development.

Finally, the main strengths of the European supply are:

**its attractive diversity in terms of destinations and cultures;**

**its level of market maturity, due to its historical position;**

**the presence of many company head offices, institutions and associations generates a stable and important need for meetings and exchanges of information, as a primary market.**

Analysing also the prementioned research findings, and taking into consideration a comment, as a response to the question "*Are hotels really different?*", coming from a conference organiser who answered: "*I think hotels are basically offering the same thing...so long as the price remains competitive, I see no reason to change.*", the general idea is that although price sensitivity is undoubtedly an important factor, effective conference packaging, a reputation for attention to detail and an understanding of the needs and dynamics of in-house conference management are equally valuable assets in building market share.

## CHAPTER SUMMARY

In the second chapter, several definitions are given as well as explanations in order to justify the reason and need for using segmentation strategies and models when a hotel company decides to penetrate into a specific market segment. The approaches to segmentation are analytically discussed in order to examine the basis for a segmentation strategy, how many customers buy at a given hotel and the attributes that a customer is seeking from a product, which is called **Benefit Segmentation**.

For a strategy of market segmentation to be successful, the criteria for market segmentation are also discussed, so as to provide the reader with a more specific view of what requirements have to be met. A detailed analysis of the segmentation models which are used in the hospitality industry for the selection of a basis for segmentation is presented, exhibiting the advantages and disadvantages of each one in particular when deciding to segment the total market.

In the evolution of this Chapter, taking into consideration the prementioned general theory about segmentation strategies, the application of the various segmentation concepts is further examined, with special emphasis on geographic segmentation within the hospitality industry itself through specific hotel brand examples world-wide.

Apart from adopting a market approach to segmentation, the second chapter also deals with a different aspect of segmentation, that of **product segmentation and product differentiation**.

Concerning these two market strategies, while they are closely related, each of the two strategies is distinctly different, serving different purposes. The differences are that while **Product segmentation** refers to the product which differentiates for the same market, **Product differentiation** is defined as a product offering which is perceived by the consumer to differ from its competition on any physical or non-physical product characteristics.

Special comments are made about the **positioning** of a hotel organisation and the ways that **positioning** can be achieved by examining at the same time various cases of hotel chain brands on how successful they have been so far in differentiating by clear positioning.

Having discussed market segmentation and how it is implemented and achieved in the hospitality industry by differentiating and creating a clear image in the minds of the consumers, a general presentation of the state of hotel chain brand development in the USA, UK as well as the overall European field is accomplished.

In the case of brand development in the USA, a brief description of how strategies of market/product segmentation were implemented was made, while regarding brand development in the European market, several aspects of the current as well as the future situation are mentioned.

More specifically, in the comparatively short period of time in which internationalisation has been a strategic objective for the hospitality firms, the fact of transplanting successful and standardised brands as well as the need to customise brands which do not fit into overseas markets without adaptation, was analytically discussed. A few of the important implications for strategy and positioning have also been identified and whereas the difficulties of rapid development in Western Europe are restricted to comparatively obvious issues like financing or control, prospects in Eastern Europe remain much more complex and uncertain. Although hospitality organisations like **Forte** and **Holiday Inn Worldwide** are already familiar with negotiating and coping with some logistical problems involved, they prefer to wait before they become involved in long term projects.

The extent of future development in the European market will depend significantly on the degree of economic and political stability achieved, as well as on the successful creation of a market-based economy in order to guarantee business demand. In this respect, the short term view until the end of the '90s will represent interesting times for hotel developers. Recent facts and figures on tourism within the EU as well as on world hotel capacity have been provided in order to support decision-makers to define long term strategies by providing also the means for a better understanding of the tourist industry and its evolving markets. Improved statistical information will contribute to the recognition of the tourist and hotel industry, making its importance more visible.

In order to give a deeper and wider view of how some major hotel chain brands perceive the rules of branding theory, as discussed in Chapter one, this Chapter looks in more detail at specific hotel firms regarding their implementation of certain policies worldwide. It was decided to present firstly the single brand hotel chains like **Hilton Int.** and **Hyatt** and secondly the multiple brands in order to highlight their diverse policies and how they are implemented.

It examines how they have responded to the reasons forcing **product differentiation, market segmentation and rebranding**, by developing and analysing the issues of how they achieve **service excellence**, what research programmes they have undertaken in order **to reach their market segments and meet their specific needs and desires**, and what kind of brands they have created within the hotels themselves, by using the method of **product segmentation**.

Their potential growth and expansion, concerning not only the European market but the Asian as well, by developing and exploiting new types of tourism and markets, is also discussed. **Hilton Int.** which is considered as an example of being currently involved with special forms of tourism like **“Ecotourism”** or **“Adventure Tourism”**, brings into light new patterns and forms of hotel development worldwide. The reasons why some major hotel chains are shifting towards completely new market segments are fully explained, in order to further raise their profits.

## **CHAPTER 3**

### **PRIMARY RESEARCH**

#### **3.1 RESEARCH PURPOSE**

In the third Chapter of this thesis, the purpose is to discuss and analyze the research objectives, the methodology followed as well as the limitations of the study during the research held at the Athens airport, where 77 questionnaires were distributed to the business travellers segment of Athens Hilton and Ledra Marriott in order to evaluate **Hilton's service standards, Hilton's brand awareness in comparison with 6 other hotel brands, the brand usage of these 7 brands from 1989 till 1994 as well as the main reasons why business travellers choose to stay in a Hilton hotel and to what extent price, range of facilities and quality account for the perceived differentiation of Hilton among the other 6 hotel brands chosen for research.**

#### **3.2 RESEARCH OBJECTIVES**

Main Objective 1: To assess the extent of Hilton Int.'s product differentiation perceived by its business travellers segment among other selected hotel chain brands.

Related objectives are:

Objective 1a) : To assess the extent of brand awareness and usage of Hilton, perceived by its business travellers in comparison with 6 other selected hotel chain brands.

Objective 1b) : To assess the main reasons that the business travellers choose to stay in a Hilton Int.

Objective 1c) : To assess the extent to which the three brand features of price, range of facilities and quality of services and facilities account for any perceived differentiation between Hilton and other 6 hotel chain brands.

The prementioned objectives relate to the previous chapters of the thesis which deal with the issues of product differentiation and market positioning. The relationship between the primary research's objectives and the preceding theory are discussed in further detail below.

### 3.3 RESEARCH HYPOTHESES - ASSUMPTIONS IN ANALYSING DATA

#### 3.3.1 Objective 1

Since the role of branding, as discussed in Chapter 1 and shown in Chapter 2 through specific hotel chain brand examples, **is the creation of a clear brand image and a differentiation of the hotel firm in order to position itself into the market**, this results in targeting the customers who perceive a certain hotel brand and its products to possess some unique features and attributes. These attributes and features firstly differentiate these specific product offerings within the overall market with the existing competition created by other already known products and secondly reduce the increased importance of price when the customer decides to purchase it.

As was mentioned in Chapters 1 and 2, during the evolution of a market worldwide, it is apparently expected that the total number of products increases and therefore competition causes the companies to identify and target smaller market segments by following strategies of differentiation. In a market which consists of a large number of products, differentiation is of great importance. In such cases, **a lack of positive differentiation can sometimes result in price discounts**, something which is disastrous to the profits of the companies.

The objective of the research was to assess the differentiation perceived by one segment of hotel customers, instead of attempting inter-segment comparisons. **The business traveller segment of Hilton was selected because of its importance to the hotel industry**, since according to Hilton International's Marketing data, 70% of its customers are coming from the business sector.

### 3.3. 1a. Objective 1a)

Brand awareness is closely related to the brand name. In the second Chapter, it was mentioned that **if a hotel chain's brand wishes to position itself in the minds of the consumer, then awareness of the brand name must be the first step**. Of course, it has been argued that positive brand awareness is not always an indication that a specific brand will be purchased in relation to another brand which does not have a very well known name. It is obvious that some other variables other than the company's marketing strategies and application of branding can influence positively or negatively and contribute to brand awareness, for example, **the location of the hotel, or the hotel's local reputation**. Quite apart from the issue of what causes positive awareness, is the question of how **important positive brand awareness actually is to the success of a brand**.

For example, in Wendy Cooper's MPhil study [ 1993] on brand awareness of thirteen hard and soft hotel brands, the purchase of a brand does not necessarily require the end user to be aware of the name of his or her hotel's chain since 49% of respondents indicated that they either did not, or only sometimes, chose their own hotel when traveling on business. The past growth of Mount Charlotte Thistle through use of the wholesale markets is further evidence that **awareness is not requisite to success**. Countering this is the proposition that **brand familiarity creates assurances of quality**, which in turn favours purchase. Despite the debate about its influence, brand awareness is a concept frequently measured in consumer goods studies. It is thus considered justifiable to measure brand awareness in the hotel industry.



The hypothesis is that **Hilton's brand awareness, compared with the other hotel brands included in the study, will be quite high**, if we take into consideration, the recent research undertaken by Hilton International in 1989, when 82% of the respondents worldwide were aware of the Hilton brand name, with regard to both spontaneous and prompted awareness.

#### 3.3.1b Objective 1b)

One of the purposes of this study was to examine what a potential guest is looking for in a Hilton Int. hotel. Based on various previous studies conducted by Lewis and Pizam (1981), [48], Lewis (84), [44], Lewis, R. C. (1985), [45] and Hermann and Quain (1985), [21], Quain, W. J. and Hermann, P. W. (1986), [22], regarding what a potential guest is looking for when selecting a hotel, this objective seeks to identify the hotel attributes desired by business travellers in order to choose to stay or to repeat usage in a Hilton Int. hotel. Using these sources, a set of fifteen attributes was developed in the third question. The respondents were asked to rank in order the attributes from most important to unimportant, in the selection of a Hilton Int. hotel.

#### 3.3.1c Objective 1c)

Objective 1c refers to the issue of **product differentiation**. It is therefore imperative to research the dimensions by which brands are considered to differentiate. This objective addresses this matter by assessing the importance of three preselected product features, in differentiating Hilton among other hotel brands of the same 5 star category. These features are **price, number of facilities and services and quality of services and facilities**. In choosing these, it is hypothesised that they are **quite important differentiators**. **Price and number of facilities** are often likely to be important considerations before deciding to stay in a hotel, and therefore consumers should be more aware of these basic product attributes than features which are of less importance.

It is also hypothesised that **price and range of facilities are perceived to be highly correlated**, as they are related in reality, for example, when a hotel is more expensive, it is also expected to offer a greater number of facilities and services.

Quality of services and facilities, theoretically, is independent of price and range of facilities. However, it is hypothesised that **the quality of the Hilton products and services will be related to the other two product attributes**.

Of course, the latter hypothesis may be opposed to the general phenomenon which seems to occur nowadays in the hospitality industry, that in the lower market levels, high quality regarding accommodation can be obtained and provided at relatively budget prices.

### **3.4 RESEARCH METHODOLOGY**

As was mentioned previously, it was the author's decision to access directly the business travellers segment of Athens Hilton, so that the representativeness of the sample would be more objective concerning the evaluation of Hilton services as well as the percentage of positive awareness of Hilton. The second stage in the research process included an interview with the Marketing Director of Hilton in order to obtain data about the percentages of occupancy by market segment in the last year as well as percentages of reservations through different sources. The study was carried out between in July 1994.

Taking seriously into consideration the restriction of not being allowed to conduct the research at the Athens Hilton, it was decided that the customers of Hilton hotel could be reached during the day of their departure at the Athens Airport. Special authorisation was given by the Athens Airport departmental director to the author in order to conduct his research.

Within the Athens Airport, after knowing in advance the exact hours of departure of the clients, 77 questionnaires were distributed to the clients of Ledra Marriott and the Hilton Int. hotels, during a period of 10 days. At this point, it is worth mentioning that apart from the Hilton Int. customers, there was also a number of customers from Ledra Marriott hotel, departing at the same period.

This fact generated the idea of also distributing a certain number of questionnaires to the clients of Marriott so that the sample regarding Hilton Int.'s assumptions would be even more objective. The guests of both Hilton Int. and Marriott hotels could be identified by the fact that they were accompanied by staff of both hotels, before their departure. Out of the 77 people who were involved in the study and completed the questionnaires, only 30 belonged to the business travellers segment of both hotels (17 for Hilton and 13 for Ledra Marriott). Therefore, despite the fact that 77 questionnaires were collected, only less than half of them could be used for the purposes of this study, since the target market in the primary objectives of the study was only the business travellers segment. This method was chosen as causing minimum disturbance to both clients and hotels (questionnaires could be completed at a time most convenient to the client during his or her stay at the airport). The distributed questionnaire is presented in the Appendices.

### **3.5 LIMITATIONS OF THE STUDY**

During the stage of the sampling process, access to the business travellers segment of Hilton was denied because of the hotel's strict policy that the customers under no way should be bothered because of the research during their stay within the hotel. The low response percentage of the sample was considered to be primarily due to the fact that at the time when the research was conducted, there were significantly more holiday makers than those who belonged to the business travellers segment, because of the peak touristic period in Athens at that time. Nevertheless, according to Marketing Research Practices, a sample of 30 useable responses is generally judged satisfactory for a statistical analysis. Another limitation of the study could also be considered the length of time. A period of 10 days is not generally judged satisfactory when conducting research studies in order to assess tests of perceived differentiation and brand awareness among hotel brand chains.

Firstly, because the sample can not be as sensitive as possible, including a wide number of responses which would provide the study with more detailed information and secondly, in a such a short period, the preselected target market might not be of a sufficient size to provide accurate data.

This may be due to reasons such as seasonality, as it really occurred in the present study, where the business travellers segment was not as wide as expected, because of the summer period in Athens, where generally, a limited number of conferences and business seminars take place within the major city hotels. Due to Athens Airport administrative restrictions regarding the duration of the research process, the author was obliged to carry out his study within a quite limited period of time.

## CHAPTER 4

### COMPARATIVE CASE STUDY ANALYSIS OF THE RESEARCH FINDINGS

#### INTRODUCTION

This Chapter will be divided into three sections in order to answer the questions raised before. The results which provide an answer to Question 1 will be discussed first, because positive awareness is required before the clients can answer more in depth questions concerning Hilton's **differentiation**. The second section deals with the most important factors influencing the client to stay in a Hilton hotel, in terms of rank of **importance and excellence**. In the third section, the results of the series of comparisons between Hilton and the rest of the brands included in the study are discussed in order to measure the extent to which the **three product features account for overall perceived differentiation by business travellers**.

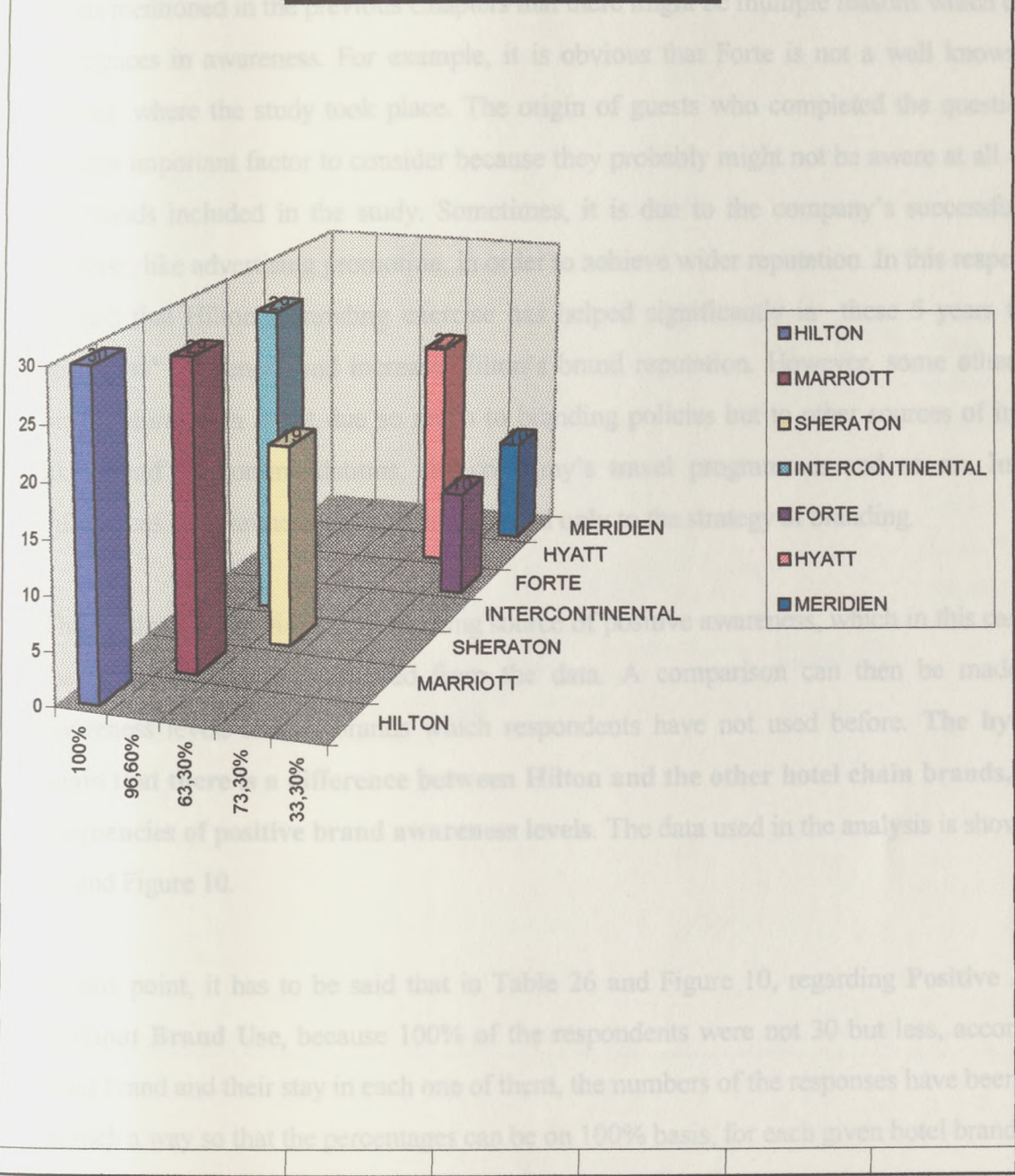
#### 4.1 RESULTS : HILTON'S BRAND AWARENESS AND BRAND USAGE

The total number of the respondents used in the brand awareness and brand usage tests was thirty. The frequencies of positive and negative brand awareness of Hilton as well as of the rest of the hotel brands are shown in Figures 8 and 9. In the first two Figures, there is no distinction between the respondents who are aware of a brand and have used it before and those who are aware of a brand but have not used it before. **The hypothesis is that difference in brand awareness does exist between the positive brand frequencies of Hilton and the rest of the hotels included in the study.** Indeed, the statistical analysis revealed that out of the 30 respondents, Hilton gathered a 100% positive brand awareness whereas Marriott and Intercontinental also had a relatively very high positive brand awareness (96,60%).

Figure 8

	100%	96,60%	63,30%	73,30%	33,30%
HILTON	30				
MARRIOTT		29			
SHERATON			19		
INTERCONTINENTAL		29			
FORTE					10
HYATT				22	
MERIDIEN					10

Positive Awareness of Seven Brands



A more detailed observation of the frequencies in Figures 8 and 9 shows that significant differences do exist between the first and the last brands regarding positive awareness, that is Hilton (100%) and Forte and Meridien (33,30%) though all the three hotel brands belong to the same 5 star category. This phenomenon raises the question of which factors have caused these significant differences in awareness.

It was mentioned in the previous Chapters that there might be multiple reasons which cause these differences in awareness. For example, it is obvious that Forte is not a well known brand in Athens, where the study took place. The origin of guests who completed the questionnaires is another important factor to consider because they probably might not be aware at all of some of the brands included in the study. Sometimes, it is due to the company's successful branding exercise, like advertising promotion, in order to achieve wider reputation. In this respect, it could be said that Hilton's branding exercise has helped significantly in these 5 years to enhance customers' awareness and increase Hilton's brand reputation. However, some other times the brand information is not due so much to branding policies but to other sources of information, like friend's recommendations, the company's travel programmes and so on. In this way, differences in awareness can not be attributed only to the strategy of branding.

The results of an obvious non-branding source of positive awareness, which in this case could be the brand use, can be removed from the data. A comparison can then be made of brand awareness levels among brands which respondents have not used before. **The hypothesis is again that there is a difference between Hilton and the other hotel chain brands, regarding frequencies of positive brand awareness levels.** The data used in the analysis is shown in Table 26 and Figure 10.

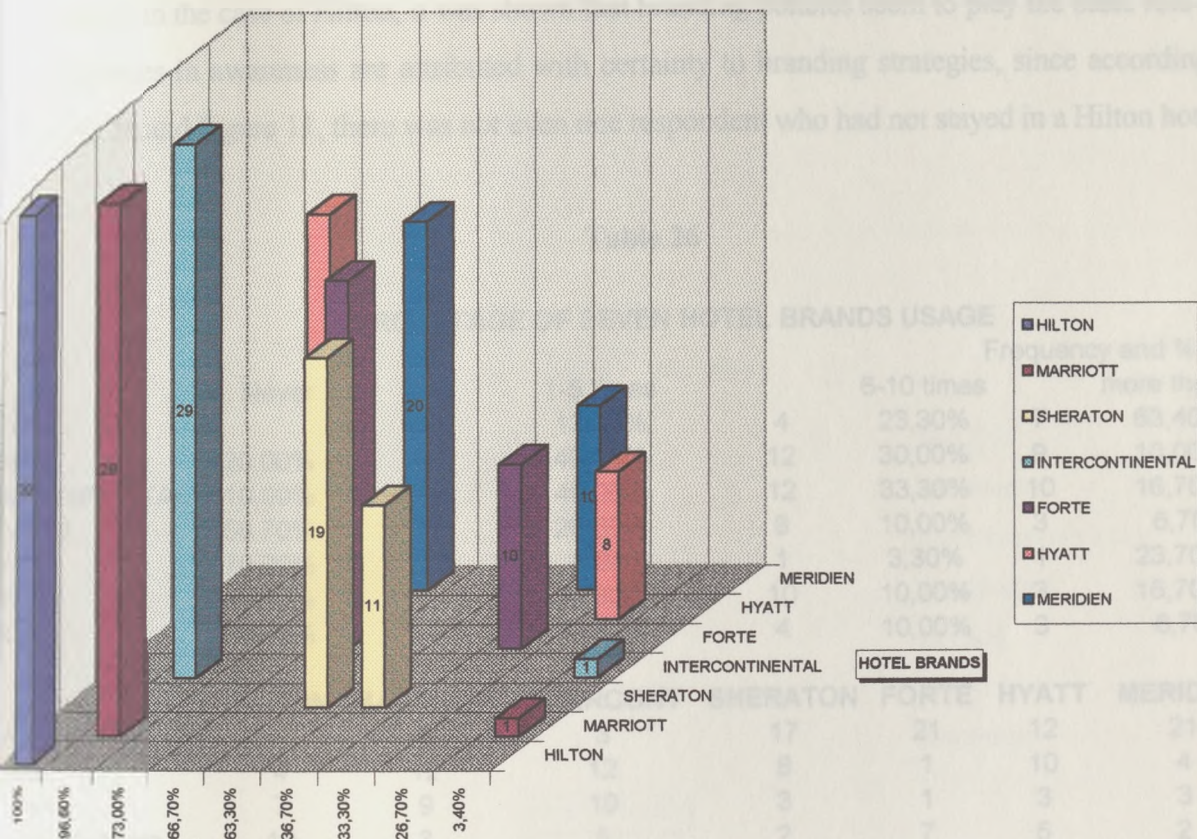
At this point, it has to be said that in Table 26 and Figure 10, regarding **Positive Awareness Without Brand Use**, because 100% of the respondents were not 30 but less, according to the hotel brand and their stay in each one of them, the numbers of the responses have been multiplied in such a way so that the percentages can be on 100% basis, for each given hotel brand.



Figure 9

	POSITIVE AWARENESS				NEGATIVE AWARENESS				
	100%	66,60%	73,00%	66,70%	63,30%	36,70%	33,30%	26,70%	3,40%
HILTON	30								
MARRIOTT		29							1
SHERATON					19	11			
INTERCONTINENTAL		29							1
FORTE				20			10		
HYATT			22					8	
MERIDIEN				20			10		

RESPONSES OF BUSINESS TRAVELLERS SEGMENT





Analysing the data contained in Table 26 and Figure 11, it is apparent that Hilton again gets the highest percentages in terms of brand usage, since 63,4% of the respondents have used a Hilton hotel more than 10 times. The differences in terms of brand usage are quite significant, since there is a difference at the rate of 39,7% from the second best hotel brand, that of Forte.

However, the second hypothesis, that the effects of a non-branding source of positive awareness concerning Hilton’s high awareness without brand use will be quite pronounced, seems to be rejected. In the case of Hilton, it was shown that branding policies seem to play the basic role and differences in awareness are attributed with certainty to branding strategies, since according to Table 26 and Figure 11, there was not even one respondent who had not stayed in a Hilton hotel.

Table 26

PERCENTAGE OF SEVEN HOTEL BRANDS USAGE							
	Never		1-5 times		Frequency and %		
					6-10 times	more than 10	
HILTON			13,30%	4	23,30%	7	63,40%
MARRIOTT	20,00%	6	40,00%	12	30,00%	9	10,00%
INTERCONTINENTAL	10,00%	3	40,00%	12	33,30%	10	16,70%
SHERATON	56,70%	17	26,60%	8	10,00%	3	6,70%
FORTE	70,00%	21	3,30%	1	3,30%	1	23,70%
HYATT	40,00%	12	33,30%	10	10,00%	3	16,70%
MERIDIEN	70,00%	21	13,30%	4	10,00%	3	6,70%

	HILTON	MARRIOTT	INTERCONT	SHERATON	FORTE	HYATT	MERIDIEN
Never		6	3	17	21	12	21
1-5 times	4	12	12	8	1	10	4
6-10 times	7	9	10	3	1	3	3
more than 10 times	19	3	5	2	7	5	2

POSITIVE AWARENESS WITHOUT BRAND USE		
	Frequency and %	
HILTON	0	0,00%
MARRIOTT	5	17,20%
INTERCONTINENTAL	2	6,90%
SHERATON	6	31,50%
FORTE	11	55,00%
HYATT	4	18,20%
MERIDIEN	11	55,00%

Figure 10

POSITIVE AWARENESS WITHOUT BRAND USE

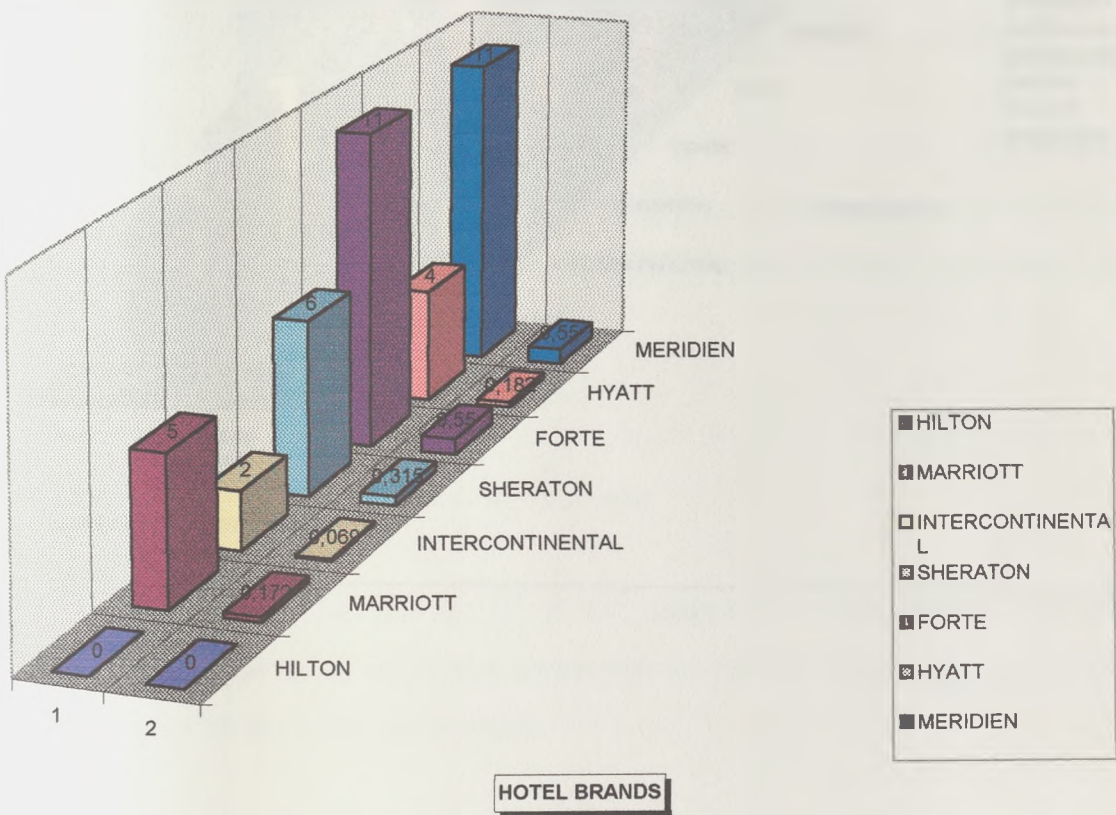
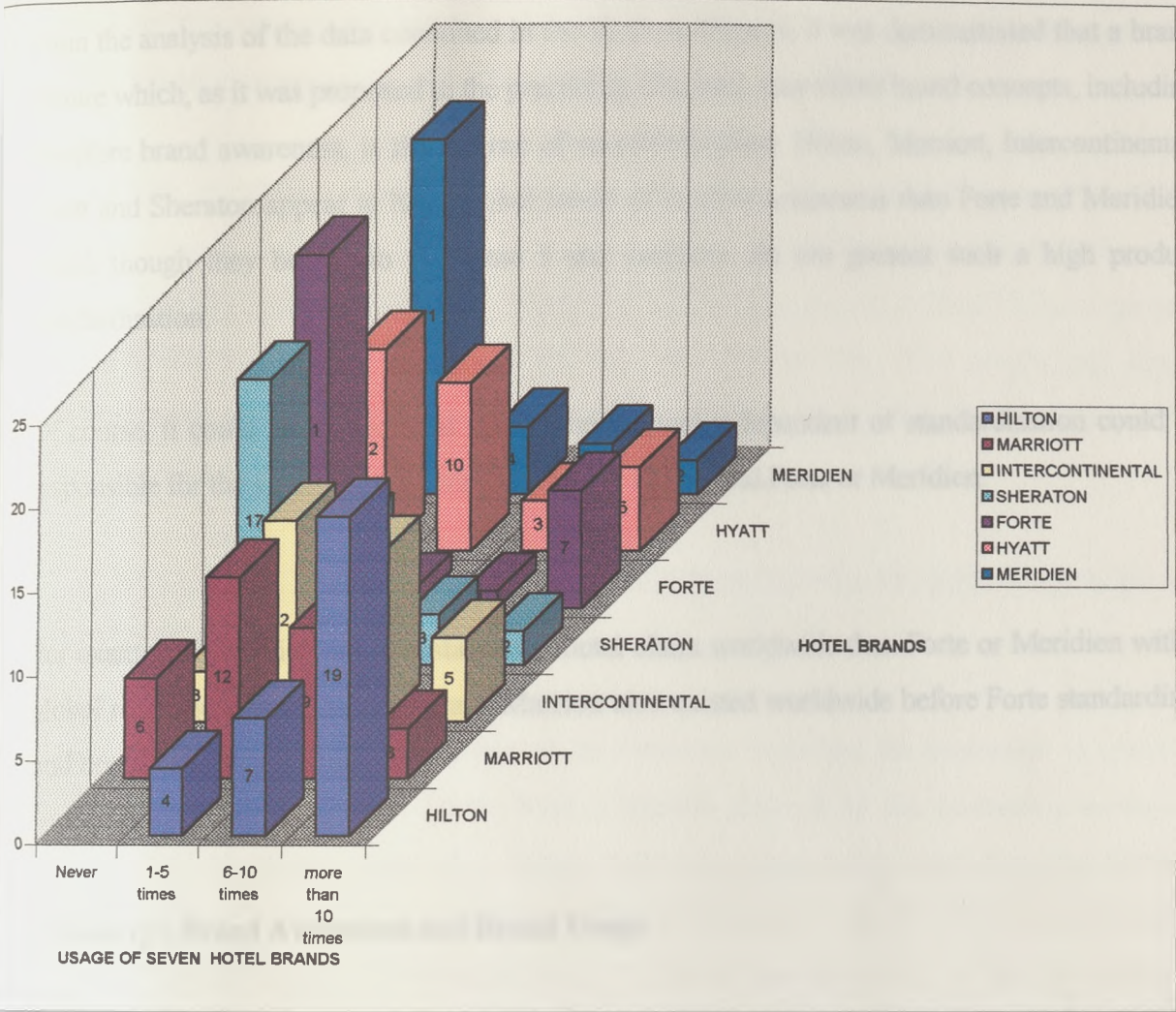


Figure 11





From the analysis of the data contained in the first two Figures, it was demonstrated that a brand feature which, as it was proposed in the preceding Chapters, may affect brand concepts, including therefore brand awareness, is **the degree of standardisation**. Hilton, Marriott, Intercontinental, Hyatt and Sheraton appear to have higher levels of positive awareness than Forte and Meridien, which though they belong to the same 5 star category, do not present such a high product standardisation.

Of course, it could be argued, that some other factors independent of standardisation could be responsible for the significant difference between Hilton and Forte or Meridien.

For example, Hilton is a longer established hotel chain worldwide than Forte or Meridien with a global reputation. Intercontinental and Marriott also existed worldwide before Forte standardised and branded its subsidiaries.

#### **Summary : Brand Awareness and Brand Usage**

From the analysis of the first section, it was concluded that **the business traveller has a significantly higher level of positive awareness as well as brand usage of Hilton hotels in comparison with the other hotel chains.**

On a general basis, differences in awareness can not be attributed with certainty to the degree of brand standardisation or to the branding strategies. In the case of Hilton it was shown that the high percentages of positive awareness and usage that it gathered, are basically due to a continuous strong positioning in the market through the branding exercises it has been practicing, as well as the strong degree of standardisation it has achieved worldwide.

Apart from the issue of what causes positive awareness, is the question of how **important positive brand awareness can be to the imminent success of a hotel brand.**

For example, in order to buy the hotel products or services, the customer does not necessarily need to be aware of the hotel brand, since 11 out of 30 (36,5%) responded that they choose to stay in a hotel through a travel agency when travelling on business more than 10 times per year (63,4% of the respondents). Of course, in the case of Hilton Int., it is certain that **brand familiarity and awareness creates a feeling of assurance of finding services at high quality, something which favours purchase.**

#### **4.2 RESULTS : FACTORS AFFECTING THE BUSINESS TRAVELLER'S STAY IN A HILTON HOTEL**

In the second section, the total number of the responses regarding the evaluation in terms of **importance and excellence of fifteen hotel attributes desired by the business traveller in order to stay or repeat usage of a Hilton hotel** was again thirty, apart from the attribute “**Concierge floor**” where the responses were 29. At this point, it has to be mentioned that the method of multiplying the 29 responses on 100 % basis was also used , so that the statistical analysis would be more accurate and of greatest value. In order to measure the most important reasons why the respondent would use a Hilton hotel, a scale of five grades was utilised, from **Most Important to Not Used Before** (Figure 13).

In order to check these specific reasons in terms of excellence and efficiency, a scale of four categories was used, rating from **Excellent to Poor** (Figure 12).

The analysis of the data showed that the 6 **Most Important** reasons that cause the business traveller to stay at or repeat usage of a Hilton hotel are the following in descending order:

- a) Cleanliness / well maintained rooms
- b) Price
- c) Location of hotel
- d) Rapid check in/ out
- e) Frequent flier/stayer programmes and
- f) Executive floor services.

As **Very Important** reasons, the following 6 in descending order were considered :

- a) Room services
- b) Food and beverage services
- c) Special conference packages
- d) Size of guest rooms
- e) Friendly employees and
- f) Leisure facilities

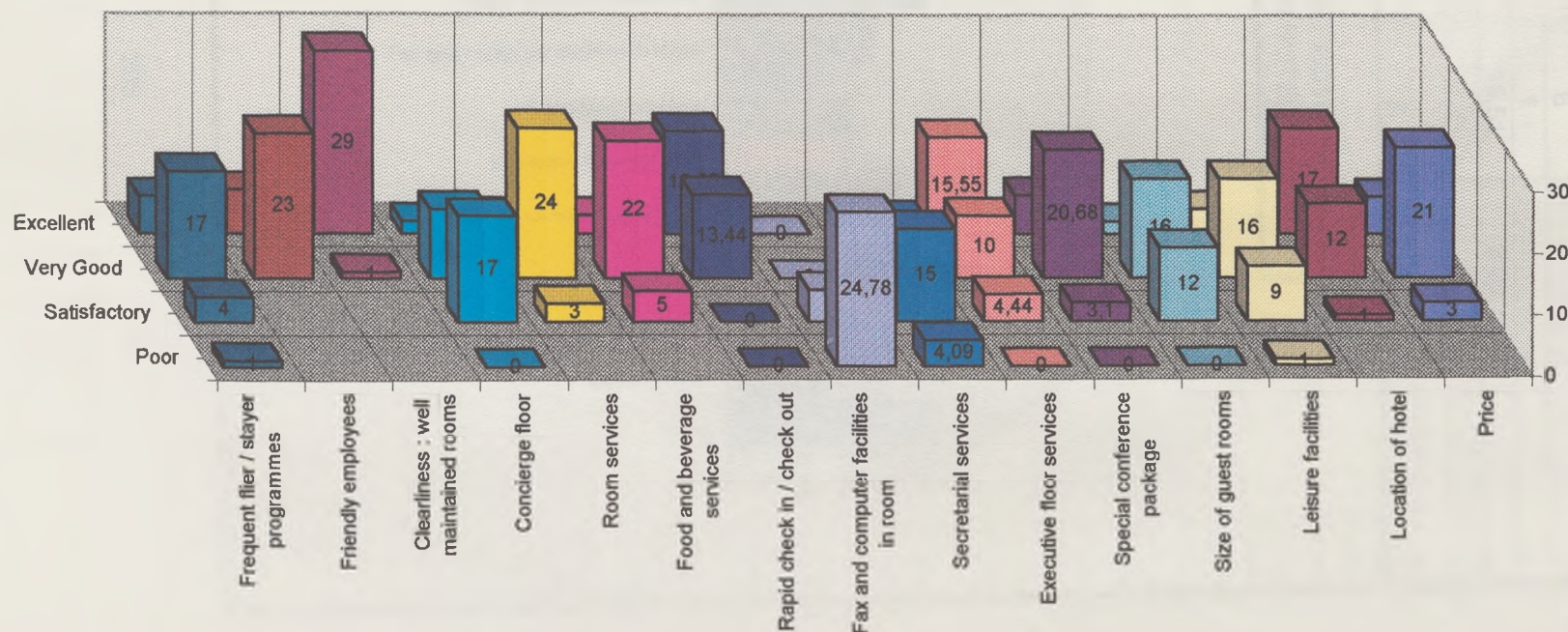
A "**Concierge floor**" was regarded as the **first reason among the important reasons**, while it is worth mentioning that the first unimportant reason was the **fax and computer facilities in room**, something which could be interpreted that though nowadays technology plays a significant role in the hospitality industry in providing services of high quality, nevertheless it is still not the main factor which causes the hotel business user to choose to stay in Hilton hotel.

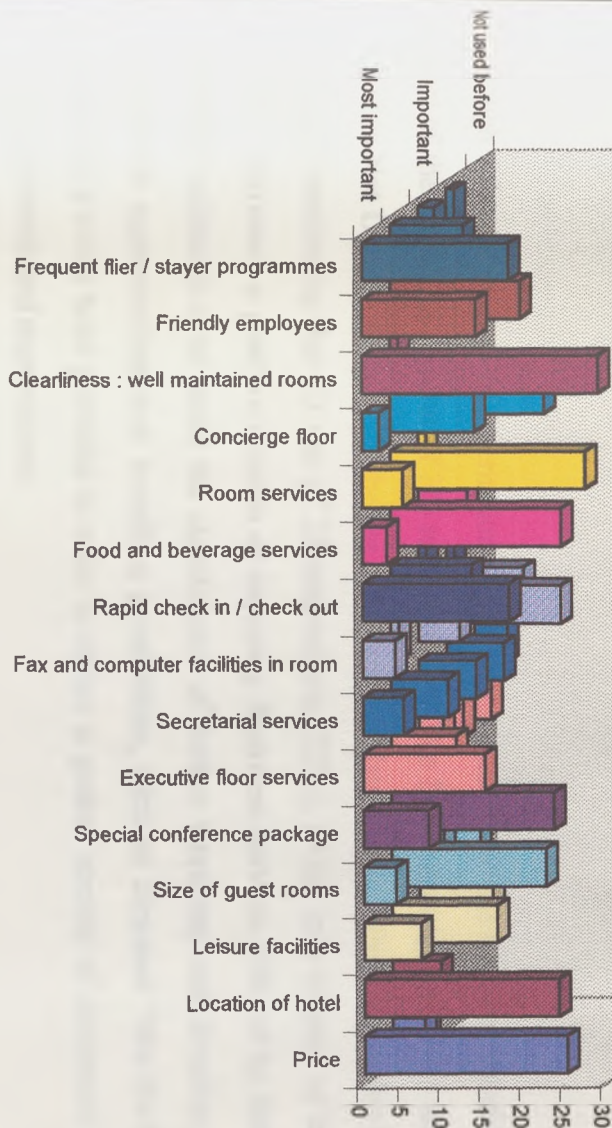
Of course, the application of modern technology such as CRS (Central Reservation System) or guest history database has contributed a lot, especially to the five star category to increase its room sales and that can be easily understood by the fact that "**Executive floor services**" which are strongly related to modern technology was rated as number 6 among the Most Important reasons for staying in a Hilton hotel.



Location of hotel	17	12	1	
Leisure facilities	4	16	9	1
Size of guest rooms	2	16	12	
Special conference package	6,2	20,68	3,1	
Executive floor services	15,55	10	4,44	
Secretarial services	1,36	9,54	15	4,09
Fax and computer facilities in room			5,2	24,78
Rapid check in / check out	16,55	13,44		
Food and beverage services	3	22	5	
Room services	3	24	3	
Concierge floor	2	11	17	
Clearliness : well maintained rooms	29	1		
Friendly employees	7	23		
Frequent flier / stayer programmes	6	17	4	1

**THE MOST AND LEAST EXCELLENT HOTEL SERVICES  
TO STAY IN A HILTON HOTEL**







### Figure 13

	Most important	Very important	Important	Unimportant	Not used before
Price	25	4	1		
Location of hotel	24	6			
Amenity facilities	7	13	9	1	
No. of guest rooms	4	19	3	4	
Social conference package	8	20	1	1	
Recreative floor services	15	8	3	2	2
Secretarial services	5	7	7	7	4
In and computer facilities in room	4	1	5	14	6
Self check in / check out	18	10	1	1	
Food and beverage services	3	21	6		
Room services	5	24	1		
Cocktail floor	2,06	10,34	15,51	2,06	
Staff : well maintained rooms	29	1			
Trained employees	14	16			
Guest flier / stayover programmes	18	9	2	1	

**THE MOST AND LEAST IMPORTANT HOTEL SERVICES  
TO STAY IN A HILTON HOTEL**

Concerning Hilton's **price**, the analysis demonstrated that in terms of **excellence** it was included among the **first four** hotel attributes - it was fourth in descending order - to cause the business traveller to repeat usage of a Hilton hotel. Of great importance is question number 11, where 7 out of 30 (23,3%) responded they would pay even up to **5 pounds more in order to enjoy the Hilton's services**.

Question number 4 is also related to this subsection, verifying that the "**Hilton Business Club Services**" as well as the "**Conference package**" under the brand name "**Service 2000**" are of prime concern to the business traveller.

21 out of 30 (70%) respondents answered that **Hilton Club** rates as the **Most Important** reason regarding specifically the **Hilton Business Services** to cause him or her stay in Hilton, while 17 out of 30 (56.6%) respondents replied that "**Service 2000**" is regarded as a **Very Important** reason to cause them to stay in it.

Though Athens Hilton is an International hotel, a Japanese floor has not been developed and so most of the responses (28 out of 30) regarding the "**Wa No Kutsurogi**" business services were rated as **Not Used Before**. Nevertheless, analysing the data obtained from Questions 9 and 10, it is worth mentioning that 13 out of 25 respondents (52%), living in a country of the Western World, **expressed a positive opinion of enjoying Japanese services offered by Hilton hotels**. This fact enhances even more the significance of further enquiring and developing **product innovation opportunities and branding possibilities**, such as Japanese "**Wa No Kutsurogi**" service, in a wider hotel portfolio in order to attract a greater number of customers by meeting their exact needs and expectations.

Regarding Question 10, whether respondents are aware of any Japanese services offered by other hotels than Hilton, 13 out of 28 respondents were negative while 15 expressed uncertainty or ignorance. This could be interpreted that Hilton has achieved overall **uniqueness** in terms of **Japanese business segment orientation and product innovation**.

Also of great value are the results of the present analysis, revealing that **Cleanliness** and **Location of hotel** were rated as the **first two Excellent attributes** in evaluating Hilton's standards. The method of multiplying the numbers on 100% basis was also used here. The results of this analysis are the following in descending order :

The first **6 Excellent attributes** were :

- a) Cleanliness / well maintained rooms
- b) Location of hotel
- c) Rapid check in/out
- d) Executive floor services
- e) Friendly employees and
- f) Special Conference packages.

The first **4 Very Good attributes** were considered :

- a) Room services
- b) Food and beverage services
- c) Price and
- d) Frequent flier/stayer programmes

The first **4 Satisfactory attributes** were :

- a) Concierge floor
- b) Secretarial services
- c) Size of guest rooms and
- d) Leisure facilities

It was observed that **in-room Fax and Computer** facilities had a relatively high negative percentage, since 24,78 respondents out of 30 regarded this attribute as being Poor, a point where Athens Hilton Int.'s managerial staff should pay more attention even if it is not regarded as the **Most Important** reason of causing the business traveller to stay there. Taking into account the research undertaken by Hyatt, as already mentioned in the Hyatt section, regarding the installation of in-room fax and computer facilities, it could be hypothesised that the situation could possibly alter in the years ahead. Therefore, Athens Hilton Int. should probably pay more attention in new technology issues arising. Examining the previous data, it is obvious that business travellers pay a lot of attention to issues concerning **Cleanliness** as well as **Location of hotel** which means convenience for their work and easy access to the centre of big towns.

The fact that the attributes “**Rapid check in/out**” and “**Executive floor services**” as well as “**Special Conference packages**” were rated as “**Excellent**”, demonstrates Hilton’s high standards and dedication to serve the International business clients as effectively as possible.

Frequent flier/stayer programmes was rated as the **fifth Most Important** reason for repeat usage and as the **fourth Very Good** attribute in terms of **excellence in evaluating Hilton’s services**. It is therefore an indication that business travellers, before they decide, either themselves or influenced by the travel agencies or their company, to stay in a Hilton hotel, this attribute is taken seriously into account since it offers a great variety of free mileage bonus, as for instance, for every 5 pounds spent when staying at any Hilton International, Hilton National or associate hotel in UK, 1 Air Mile is collected.

## **Summary : Evaluation of Hilton's Services and Standards in terms of Importance and Excellence**

The analysis of the second section demonstrated that business travellers when staying in a Hilton hotel are primarily concerned with **Cleanliness and well maintained rooms, Price, Location of the hotel** and immediate provision of appropriate business services, like **Rapid check in/out**, Hilton's specific offerings such as **Hilton Club Services** and **Service 2000** as well as the extra bonus obtained during their stay in relation to their frequent flier programmes.

It is obvious that they give greater importance to factors like **Friendliness of the employees, Location of the hotel, Price and Business Services orientation** than to enjoying excellent leisure facilities or staying in well decorated rooms, having fax and computer facilities within them, or enjoying concierge services, though some of the prementioned attributes were rated as **Very Important** reasons in choosing to stay in a Hilton hotel.

As far as it concerns these specific attributes which were rated as **Most Important** reasons, Hilton seems to have achieved a **high positive percentage of business services efficiency**, since most of these factors were rated either as **Excellent or Very Good**, showing that Hilton's product orientation towards the International business market is **very high**.

**4.3 RESULTS : HILTON’S DIFFERENTIATION ON THE THREE BRAND FEATURES OF PRICE, NUMBER OF FACILITIES AND QUALITY OF SERVICES AND FACILITIES AMONG 6 HOTEL BRANDS**

In order to analyse the third objective of this study, the method of multiplying the useable responses on 100% basis was utilised again because the total number of responses for each hotel brand was not 30. The results from the present analysis demonstrate to what extent the preselected **product attributes of price, number of facilities and quality of services and facilities account for Hilton’s differentiation in comparison with selected brand chains**. It was hypothesised that price and number of facilities would be perceived to be highly correlated. It was also hypothesised that quality of services would be strongly related to price and facilities, despite the fact that in theory they are independent.

Observing the numbers and diagrams included in Figures 14 and 15, it is obvious that the **business traveller does perceive a relationship between the price, the number of facilities and services and their quality among the 7 hotel brands**. The high relationship between price and facilities was expected.

In order to check the relationship between price and number of facilities of each hotel brand, it could be argued that in acquiring a sample of brands which are perceived as overpriced, or best and worst value for money, each brand’s scores for price and facilities could be compared and the brand which received a higher score for price than for facilities would be characterised as overpriced, while one which concentrated a lower price score than facilities would be perceived as good value for money. Using this method, the total number of the brands would be positioned as follows : (In order to examine this correlation, the maximum values of each column for each brand separately regarding the relationship of **Price and Number of facilities** were used).



Figure 14

	PRICE		FACILITIES		QUALITY		
	Low	High	Few	Many	Excellent	Satisfactory	Poor
HILTON	11	19		30	28	2	
MARRIOTT	23,33	6,66	10	20	7,77	16,66	5,55
INTERCONTINENTAL	2,14	27,85	1,07	28,92	27,85	1,07	1,07
SHERATTON	8,57	21,42	4,28	25,71	25,71	4,28	
FORTE	26,66	3,33	10	20	10	20	
HYATT	5	25	1,66	28,33	30		
MERIDIEN	30		13,33	16,66		30	
MAXIMUM VALUES	30	27,85	13,33	30	30	30	5,55

HILTON'S PRODUCT DIFFERENTIATION  
ON THREE BRAND FEATURES

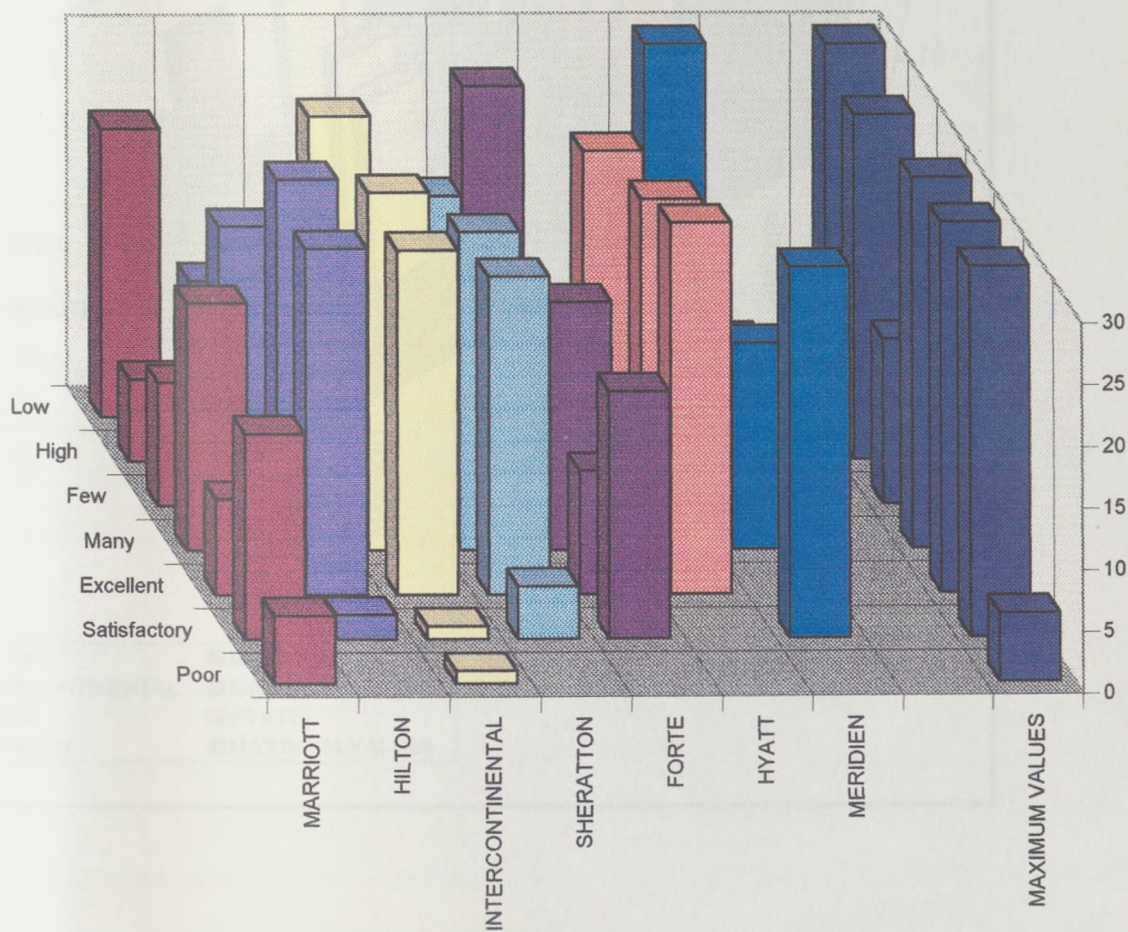
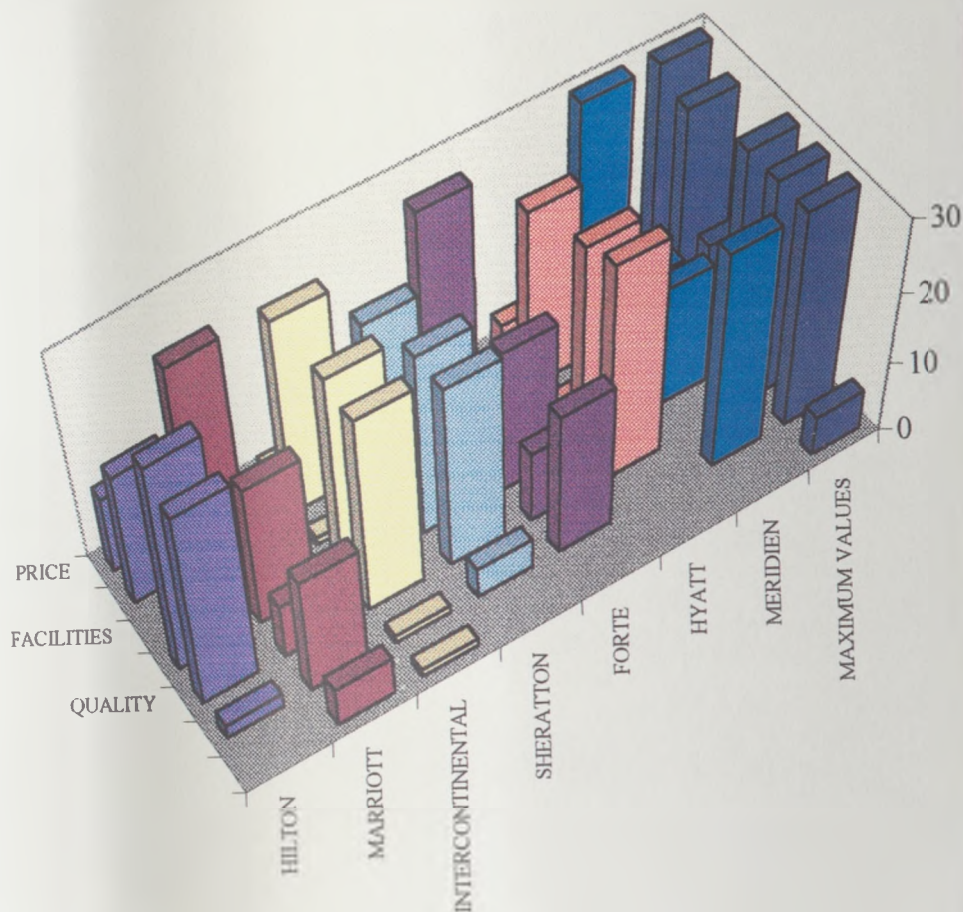




Figure 15

	PRICE		FACILITIES		QUALITY		
	11	19		30	28	2	
HILTON	23,33	6,66	10	20	7,77	16,66	5,55
MARRIOTT	2,14	27,85	1,07	28,92	27,85	1,07	1,07
INTERCONTINENTAL	8,57	21,42	4,28	25,71	25,71	4,28	
SHERATTON	26,66	3,33	10	20	10	20	
FORTE	5	25	1,66	28,33	30		
HYATT	30		13,33	16,66		30	
MERIDIEN							
MAXIMUM VALUES	30	27,85	13,33	30	30	30	5,55



■ HILTON	■ MARRIOTT
□ INTERCONTINENTAL	■ SHERATTON
■ FORTE	■ HYATT
■ MERIDIEN	■ MAXIMUM VALUES



Best value for money-----	MERIDIEN
	FORTE
	MARRIOTT
Overpriced-----	HILTON
	SHERATON
	HAYATT
Worst value for money-----	INTERCONTINENTAL

Analysing the above correlation, it is obvious that Hilton ranks as **an overpriced hotel** in the minds of its business travellers whereas Meridien and Intercontinental rank as **best and worst value for money brands**, respectively.

**Quality of services and facilities could be entirely independent of both price and number of facilities.** As mentioned in Chapters 1 and 2, **budget hotels can provide high quality accommodation at very good prices.** Nevertheless, it was hypothesised that a strong relationship between quality and the other two product attributes of price and number of facilities does exist. In order to evaluate Hilton’s differentiation in terms of **quality of services and facilities among the other 6 hotel brands**, as previously hypothesised with price and number of facilities, the relative scores for each hotel brand on quality of services and price could be used to rank the best hotel brands in terms of value for money.

Using this method, the total number of brands would be ranked as follows : (In this method, in order to evaluate the 7 brands regarding **Quality of Services and Price**, the columns with the characterisations “**Excellent**” and “**High**” were used first, respectively, in order to demonstrate the difference between Price and **Quality of Services and Facilities**. The wider the difference was between "**High Price**" and "**Excellent Quality of Services and Facilities**" for each brand, the better the hotel brand was ranked).

Best value for money-----	HILTON
	HYATT
	SHERATON
Overpriced-----	INTERCONTINENTAL
	FORTE
	MARRIOTT
Worst value for money-----	MERIDIEN

Observing the above analysis, the relative scores for Hilton on **Quality of Services and Facilities** and **Price** demonstrated that it rates **first** among the other 6 hotel brands while it was also shown that there is a **positive correlation between price and quality of services as it was firstly hypothesised**, since the greater the difference between “**High Price**” and “**Excellent Quality of Services and Facilities**”, the better the brand is in terms of value for money.

**Summary: Hilton’s Differentiation on Individual Product Attributes**

The results of this research indicated, therefore, that not only are the three product attributes themselves highly correlated but that all three also have a strong relationship in the perception of the business traveller. The research furthermore demonstrated that the perceived differences by the business traveller between Hilton and the rest of the hotel brands in respect of each of the three product features (**Price, Number of Facilities, Quality of Services and Facilities**) rank Hilton in terms of **Price and Number of Facilities** as an **Overpriced** hotel but in terms of **Price and Quality of Services and Facilities** as the **Best value for money** hotel brand.

From that conclusion, it could be argued, as hypothesised, that when asked to identify differences between brands which are spread across the same market level, the three product attributes of **price, range of facilities and quality of services and facilities**, as they were used by the respondents, are very **important differentiators** in order to evaluate the specific position of a hotel chain within the given market to which it belongs.

4.4 ATHENS HILTON’S PERCENTAGE OF OCCUPANCY BY MARKET SEGMENTS

An interview with the Marketing Director of Athens Hilton was conducted in order to obtain data regarding overall occupancies by market segments as well as sources of reservations for the last year. The Marketing Department provided the following information for the year 1993-94 :

Business Travel :	24%
Crew Contracts :	14%
Conference and Groups :	18%
Frequent Stay :	5%
Seniors :	1%
Leisure :	37%

Regarding Athens Hilton’s sources of reservations, the following data was provided:

Hilton’s Automated Reservation System :	17%
Direct calls internationally :	10%
Local Travel Agencies :	35%
Local Corporate Accounts :	35%
Other :	3%

Analysing the data, it is demonstrated that Athens Hilton Int.'s sources of reservation are mainly supported on their local connections and corporations with the Travel Agencies as well as on the enterprises which are established in Athens and are cooperating with Athens Hilton Int.. Quite significant seems to be also the number of reservations they get from their automated reservation system.

## RECOMMENDATIONS - CONCLUSIONS

In the last Chapter of this thesis, an overall review of the four Chapters will be made in order to exhibit whether market segmentation in the hospitality industry and hotel product branding will remain dominant in the years ahead, and in which degree world-wide hotels' development and growth has been achieved through the application of the branding, either by franchising, mergers, management contracts or by acquisitions.

The strengths and limitations, if any, of the new hotel brands were also discussed as well as the growth potential of some of the recently emerging market segments world-wide which tend to be served by the national and international hotel portfolio and which seem to be the immediate future sources of financial growth and expansion for the global hospitality industry.

Hotel brand development can be looked at in terms of **national and international brands**. International brands such as Hilton International, Sheraton and Intercontinental operate in a wide range of countries with only a minor presence in any one country, invariably in the capital or other major gateway cities. Their principal market is the international traveller and they operate towards the top of the market.

For their future development, it is unlikely that such chains will be able to grow massively in any country since there is little demand for their brands outside the main cities. If a demand could be identified, expansion in any one country would be slow because it is only infrequently that acquisitions in this market segment become available. New build in secondary locations is expensive with poor money returns for first class chains. International brands are likely to become more international in the years to come. Hilton International, for example, operates in 48 countries at present and it would be no surprise to see this double by the end of the century.



The growth of branding in city centre hotels is likely to be **intensified by the oversupply of hotel rooms in many cities**. The need to establish a presence in major business centres as part of long term international expansion plans has forced many international chains to acquire properties in locations in spite of room oversupply.

As sites in the major capitals become harder to acquire, a number of **second rank European cities** are becoming the focus of chain expansion plans. As discussed in Chapter 2, a great acquisition activity in cities such as Amsterdam, Cologne, Vienna, Zurich and so on is likely to result in severe overcapacity in the forthcoming years.

The short term response may be a trading down to attract a broader market base but, in the longer term, falling occupancy levels, the need to remove some parts of the different acquisitions and to support niche marketing approach is likely to encourage hotel branding in these and other cities. In contrast, there are national brands such as Mount Charlotte and Forte Posthouse which have achieved critical mass in their home countries, but little or no penetration of foreign markets. **When national chains reach saturation in their home country, the only alternative will be to repeat their growth in another country.**

The way in which this can be achieved requires careful consideration. Chains such as Marriott and Accor expanded impressively in their home bases of USA and France respectively by developing relatively hard brands which were new build, but have been less impressive in foreign countries.

During the 1980s, when the UK was growing strongly, Marriott acquired one hotel and Accor, although more successful, developed only 18. Such experiences show that developing a national brand in a foreign country is difficult.

The only way the target can be achieved is to acquire an existing chain but this requires the original brand specifications to be loosened or, in the case of Accor with its acquisition of Motel 6 in the USA, to have that brand operate in parallel to its existing brands.

This thesis indicates that one of the **most important features of the hotel industry** for the future will be the extent to which **hotels tailor themselves to carefully defined segments of the market**.

This type of decision on the behalf of hotel owners reflects an approach to **market segmentation**, an aspect which, in order to be successful, the hotel owners must take into account the criteria for market segmentation.

Firstly, for a segment to be viable, it is necessary that it **can be distinguished from other segments, while the customers within it must have a high degree of similarity**. Secondly, **the criteria used to differentiate between market segments must be relevant to the purchase situation**. Thirdly, **the segment should be of a sufficient potential size to ensure that any investment within it will return an adequate return**. Fourthly, **an identified market segment should be easily reached in order to be exploited**.

This thesis demonstrates that the aspect of market segmentation is of prime concern when considering future trends. A clear trend is emerging in the world's hotels in that they are increasingly addressing more specific segments of the market.

However, one danger of concentrating a hotel operation on a specific market segment is the possible limiting effect on levels of occupancy and profitability. The need to achieve high week-round and year-round occupancy levels at high average room rates is very important.

Although this has been interpreted as implying a need to attract a number of different markets, many international hotel chains are developing a range of different brands to reduce some of the expenses in trying to serve all markets indiscriminately. Reactions to the concept of branding remain positive and this seems certain to continue. Quality Inns, for example, feels convinced that its three-rank product has been the key to its rapid growth in Europe and hopefully will contribute to the same rapid growth in the Far East.

At this point, the question of whether the new hotel brands are truly focusing on single markets or not is raised. There are too many doubts for these new hotel brands to be considered market-segmented. They are actually **product-segmented**. If they were market-segmented, they would be presenting themselves to only one part of the market, but these new brands are now marketing to a variety of segments, just as hotels have always done. The specific segment that these concepts were designed for is just one of those they are serving. Let us take, for example, the "**all-suite hotels**". They were developed to serve a specific market: persons who are relocating. The theory was that these people would accept fewer services and smaller public spaces in exchange for having something more than a simple hotel room. Now, if we observe the "**Embassy Suites**", it is well understood that they offer function rooms and a full-service lounge and restaurant.

Further developments of the nature like the Accor Group's "**dual-brand**" hotel development, as described in Chapter 2, either dual-brand or possibly multi-brand, would appear to be the next logical step for the major chains in serving different markets while benefiting from economies of joint provision and operation, but without sacrificing flexibility.

Although it is still very early to consider this approach to hotel development, it is an attractive concept and one that is likely to receive more widespread attention. If there is a drawback to it, however, it is one of location and the question of whether different hotel brands within one group can or should be served by the same location.

Making an overall review in the new market segments that are slowly emerging in the world and tend to become the new branded hotels' main source of profit and exploitation, it is identified that hotel proprietors must take into account the new evolutions in the global society imposed by the rapid alterations of the economic and demographic features.

The older age groups, the "**Senior's market segment**", represent a quite diverse and complex market, due to the fact that they have had a lifetime's experience. Their consumption patterns are sometimes difficult to formulate into viable market segments since, for example, while many over-55s are comparatively well off, their understanding of good value may differ considerably.

Experience has made them more cautious than the younger people and less impressible to fashion or to the necessity of purchase. The hotel operator wishing to take advantage of this profitable market segment must consider several options, taking into account the issues thoroughly described in Chapter 2. The leisure operators must make sure that their products and services adhere to the requirements of this segment in order to attract and gain the loyalty of these experienced consumers.

As far as it concerns the "**Leisure market segment**", it is estimated in this thesis that leisure will be a challenge for the hospitality industry in the years ahead. It can reward those who seek to exploit leisure for commercial profit. Many leisure participants are likely to be sophisticated, specific in their requirements, who will become more exact and less tolerant with providers who do not create the proper structure and facilities for their leisure time. Hotel owners could take advantage of this segment and develop a suitable leisure provision from a wide menu of leisure options that will reflect corporate or personal interests.

This means that the **leisure product must** be delivered with an **appropriate level of service in order to provide a differential advantage**. The key hotel leisure developments for the future are described and concentrated in seven main points in Chapter 2.



The growth potential of "**Short Breaks market segment**" is quite optimistic for the hospitality industry. An increasing number of people nowadays are employed in service industries, which means that for many, the traditional weekend break is no more practical. The pattern of demand for hotel short breaks has also been influenced by demographic changes.

The number of retired people has increased quite a lot and demand for greater flexibility from these sources is beginning to influence hotels' policies on the availability of hotel short breaks.

Having regard to the results of the Horwath Axe Consultants study conducted with institutional organisations, professionals and business tourism clients in the 17 countries of the European Economic Area, in 1996, it is the author's decision to demonstrate the **main characteristics** as well as any **organisational problems** that exist in the **European conference and exhibition industry**, in order to develop a **recommended strategy for the Business Tourism sector within the European Union**, which would ensure the harmonious and lasting development of this sector.

**Structural and organisational problems** could be summarised as follows:

a real lack of statistics and information on market data and trends at all levels of the sector (local, national and European);

critical need for specialised skills training, which are constantly evolving and which require an increasing level of professionalism from those involved;

scattered promotional programmes which poorly reflect the wealth and complementary nature offered by the numerous business tourism destination in Europe;

a lack of consistency in development planning at national and European levels, which leads to an over supply situation in several locations, which is detrimental to the overall sector;

Finally, the insufficient recognition of the sector as a whole, and of the importance of the benefits that it generates for the region or the country.

The **main characteristics** of the sector are summarised as follows:

**Business Tourism in Europe** represents a considerable economic sector which is expressed in the direct and indirect benefits of its various sub-segments (business travel, conferences, fairs exhibitions, seminars and incentives) in terms of turnover, employment, tax revenues, etc. In addition to its actual economic strength, the business tourism sector also holds in significant potential for future growth within Europe and plays a driving role in associated activities in the local economies;

Another major feature of **the Business Tourism sector** is the fact that covers a large range of activities for which the main objectives include the transfer of knowledge and expertise, networking and exchanges of goods and services. **The Business Tourism sector** contributes directly and continually to the process of European integration;

Further, **the Business Tourism sector** is significantly different from Leisure Tourism because its mode of operation is partially or totally distinct in terms of its principal players (supply, demand and intermediaries), and their relationships, marketing approach and tools, buying habits and consumption of services ;

Finally, one of the main characteristics of the **Business Tourism** is its media function which enables the many different economic, scientific and socio-cultural sectors to use the large range of services available for the diffusion of information to the private and public sectors.

Taking into consideration all the critical factors listed above, and the particular problems encountered, it is worth giving consideration to **Business Tourism** through specific sector policies and a general strategy, because it is within the Tourism sector in general, but distinct from Leisure Tourism. The review of the current state of the **European Business Tourism Market** shows that all of the problems that characterise the sector have two fundamental themes, information and quality, around which the priority policies and a **main strategy** should be formulated:

**Communication** within the **Business Tourism** sector, already difficult because of the multitude of major players involved, suffers from the lack of **coherent and relevant market information**. The **structure of information and its diffusion** should be a **major thrust** of the sector's strategy at the European level. Concerns have been expressed on the necessity of information flows both between operators in the market areas, as well as between the whole profession and the European institutions (the Council, and Commission).

**Quality, which is the second crucial factor**, constitutes a strategic criteria for the success of the sector with regard to the needs and expectations of demand deriving from European and World markets. It also constitutes a critical competitive advantage within the major geographic zones which currently dominate the market (Europe, North America and Asia-Pacific). Quality should be considered as a global concept and looked for in all the components which make up the European supply: facilities, technology, equipment, services, information (terminology, statistics, market trends), promotion and marketing, human resources, training.

**The general strategy for the sector** should put in motion priority actions and measures more oriented towards:

**upgrading, co-ordination and viability** by modernising the existing supply to maintain its competitiveness. Revitalise its **marketing and promotion** in Europe and abroad, and stimulate demand to counter the competition, particularly from North America and the Asia-Pacific region;

**re-evaluation of the positioning of Business Tourism** with national and European authorities;

**establish and reinforce co-ordination or partnership** at all levels between the institutions, representative professional associations and various operators of the sector; and

**improve the structure of activity in a sector which is growing rapidly**, to improve its knowledge and its recognition at national and European levels.

Analysing the research findings concerning the "**Conference market segment**", the general idea is that undoubtedly an effective conference packaging, such as the "**Meeting 2000**" offered by Hilton, the "**Summit Conference**" offered by Jarvis Hotels, the Forte's incentive package "**Successful Destinations**", a reputation for attention to detail and an understanding of the needs and dynamics of in-house conference management plus the fact that price sensitivity is a very important factor, are valuable assets in exploiting and building market share.

Concerning the "**Business market segment**", hotel operators should be aware of the changes and future activities of business travellers who represent the greatest segment of the city-based hotels world-wide.

In the future, many more business people will arrive with their portable computers, which means that computer telephone links are therefore likely to continue to grow in importance, with people using the international telecommunications network to facilitate rapid transfer of their work between continents. It is estimated that in five to ten years' time, business people are likely to be more familiar with the computer's usage in conjunction with a wider range of business activities.



This thesis has already indicated that international business travellers seek security and maximum convenience from product features, such as the "**executive floor**" concept. **The Japanese service brand research** carried out by Hilton International highlighted a number of issues with important implications for future product innovation and development. This implies providing a totally separate service like meals, meeting and business support facilities, staff empowered to meet requests and make arrangements on behalf of the guest quickly and many other services designed to give the guest total control of the hotel environment.

In very broad terms, there are three types of hotels likely to emerge in the future: the **deluxe**, labour intensive property providing very high levels of service to the most discerning clients; the **mid-level** hotel making maximum use of modern technology and seeking to reduce operating costs, and therefore prices, by substituting technology for labour; and the **smaller**, more personal, properties fitting into neither of the other two categories but seeking to meet the needs of the individual who wants more charm, atmosphere and individuality without having to pay de-luxe prices. Of course, there will be many variants within these broad categories, but such categorisation suffices here to consider the main characteristics of the management of each of these types.

Some of these trends already exist. Major chains are differentiating their properties along market segmentation lines. Holiday Inn, for example, operates **Crowne Plaza** (luxury), its own core **Holiday Inn** brand (mid-scale), **Garden Court** (limited service), and Holiday Inn **Express** (limited service). The French Accor group similarly operates **Sofitel** (luxury), **Novotel** (mid-scale), **Ibis** (economy), and **Formule 1** (budget).

There will always be a demand for **high service** hotels, but the problems associated with a high level of well trained staff, whether in the developed countries of the world or in the poorer countries, will ensure that these remain in the minority in terms of room numbers and at the top of the range in terms of price.

The **larger**, more fully automated, properties will become increasingly common in the mid-range, especially for standard business hotels and for the larger leisure hotels in key resort areas. The main tendency in these properties will be to strive for cost reductions by reducing the labour content and, therefore, they will tend to provide a lower level of service as a means of achieving price advantages.

The **smaller individual** property will probably prove to be the most resistant to technological change, especially where technology could be substituted for labour. This will be a result of the fact that the attraction of smaller properties lies in the provision of a more personalised type of service. The likelihood is that this type of hotel will tend to become a little more expensive.

Overall, the most rapid growth is likely to occur at the **top** and **bottom** of the hotel industry, in the luxury hotels including those developing all suite facilities, and in the economy range where minimum levels of service are offered and which should therefore be cheaper for the user.

As far as it concerns other new developments that are likely to occur in hotel branding, many hotels, but particularly those in city centre locations, depend for their continued profitability on a core business provided by the corporate traveller market from Monday to Thursday.

Typically in such hotels, weekend occupancy is more difficult to achieve and requires a different price structure and marketing approach, offered at the leisure market through weekend breaks and other such packages. The promotion of the **weekend break** has been received by some as the most innovative piece of hotel marketing in recent years.

Its success has been largely confined to the **mid-priced** chains whose lower expenses allowed package prices within the leisure travellers' budgets. International first class hotels, with extensive business facilities to maintain throughout the week, have been unable to drop their prices by large amounts.

Whether branding in the hospitality industry is a panacea or not, can be inferred by analysing the two examples mentioned in Chapter 2, concerning the UK based Mount Charlotte **soft hotel brand** and the US **harder hotel brands**, such as Hilton and Ramada. From these two examples of recent **soft** and **hard brand** developments, it can be inferred that **hotel branding** on its own is not a **panacea**.

Factors which are crucial to the extent and effectiveness of branding include the **state of development of the hotel market** in any country, the **impact of wholesale markets and reservation systems**, as well as the **quality of hotel management**.

The growing significance of wholesale and central reservation markets means that hotel brand portfolios have to meet the needs of these markets for locational spread and capacity rather than simply for standardised hotel specifications. Location and size have long been regarded as critical factors in individual hotel success. They are no less important for a branded portfolio and have to be seen as components of a hotel brand.

As hotel chains expand so will hotel branding and as hotel branding develops so will the structure of the industry. It is unlikely that the proliferation of hotel brands can be sustained at the rates achieved in the 1980s due to the significance of large size, brand recognition and the capacity to deliver customers to the hotels. The increase in concentration has been a feature of the US and UK industries for several decades and still has a long way to go. The largest chain in the USA, Holiday Inns, only has around a 7 per cent market share of room stock. The largest chain in the UK, Forte, has less than 6 per cent of that market.

Both of these chains have room stock of around double their next largest competitor. Most chains in both countries have market shares of rooms of less than 1 per cent. The growth of the wholesale and central reservations markets benefit the larger chains and prevent the smaller chains and independents from retaining market share.

In the USA, a process, especially among franchisees, of converting from small brands to larger brands has already begun. This process is likely to continue, reducing the number of hotel brands in the marketplace. As brand portfolios increase in size and further penetrate the wholesale markets, the barriers to entry into the branded hotel market increase and the creation of new hotel brands outside the larger chains is liable to be reduced.

This thesis indicates complexities and some contradictions in comparison with consumer product brands, since hotels are not consumer product brands and hotel brands must evolve in ways of the hospitality industry's specific characteristics. Hotels in a branded portfolio may have a resemblance to each other, but they are not and can not be clones as is the case with consumer product brands. There is much customer resistance to cloned hotels in any case and the further up in the market the hotel is found, the greater this level of resistance is. Hotel customers can not make the same assumptions about brand wide consistency which consumers of product brands can make because consumption occurs within the hotel. Consequently, a **single hard brand** hotel will experience a range of specific customer demands over time and at any one time across the portfolio.

In the 1990s, **hotel brands will be a foundation** in the development of hotel chains. Hotel brands will continue to evolve, but **not as clones**. It is likely that world-wide mega-chains will develop and these will mainly be branded driven. Such a trend could see the biggest chains, such as a Holiday Inn for example, with more than 500,000 rooms by the end of the century.

The other key issue for the 1990s will be the need to further **enhance the quality** and **consistency of guest services** and adapt to the increasing mobility of international customers by concentrating on the **origin of the guest** in order for the hotel owners to develop services which meet **culturally different needs**.



Since the service element is the **human element** which is so important in the placing of the hotel within the guest's personal frame of reference, ideally this human element and the **structural and visual elements** of the design need to act together to achieve highly defined objectives.

However, building a hotel brand as a pure service proposition brings with it weaknesses. Because service elements are human, they are inevitably **inconsistent** and depend on high levels of personal attention and training, both of which are costly to the hotel group and sometimes actually irritating to the customer. Much has been made of the nuisance factor to guests of poorly trained personnel, but well or overly trained staff and overpersonal attention can also be inappropriate.

Guests' requirements for privacy, efficient time usage and calm may mean that they would actually prefer staff not to show them around the hotel explaining services and facilities. If the **product element** of the hotel, as space, is **well designed**, many of the messages thought necessary from human service can be communicated to the customer effectively.

Well designed spaces will indicate their function and atmosphere, space planning will direct guests to discover and make sense of the hotel's public and private areas and allow customers to make up their own mind about where they feel most comfortable. Ideally, guests will come to see the hotel as a product for their own use and will buy the proposition of the product again, either on a repeat visit or in another group-owned hotel.

The implication of this is that new branded hotels, like Hilton International, will need to continually extend and improve their **service branding approach** in order to respond to the inevitable cultural transfer from one continent to the other. **Service will be the key factor in differentiating between rival hotel brands.**

In developing and retaining the staff necessary for this, training and updating will play vital roles. Good working conditions are also becoming more important as staff expect facilities at work which enable them to work comfortably and relax properly during breaks. It is for these reasons that some major international hotel chains, like Holiday Inn or Hilton, encourage their staff to participate fully in the process of analysing and improving the hotel environment and the guest experience in particular.

Making an overall review of Chapter 4, regarding the main objective of assessing the extent of Hilton's perceived product differentiation, the main research findings can be considered as follows:

- **Hilton's differentiation is perceived among the 6 other hotel brands included in the study.**
- **The business traveller has a significantly higher level of positive awareness and brand usage of the Hilton brand name in comparison with the other 6 hotel chains.**
- **The 6 Most Important hotel services that influence the business traveller's decision to stay or repeat usage of a Hilton hotel, can be summarised, in descending order, as follows:**
  - a) Cleanliness and well maintained rooms**
  - b) Price**
  - c) Location**
  - d) Rapid check in/out**
  - e) Frequent flyer/stayer programmes and**
  - f) Executive floor services, such as "Hilton Club" and "Service 2000" services.**

In evaluating Hilton's services and standards, Hilton achieved a high positive percentage of business services efficiency, since most of the previously mentioned 6 **Most Important** hotel services were again rated as **Excellent** or **Very Good**

The perceived differences by the business traveller between Hilton and the rest of the 6 hotel brands, in respect of the three product features of **Price, Number of Facilities and Quality of Services and Facilities** rated Hilton in terms of **Price and Number of Facilities** as an **Overpriced** hotel and in terms of **Price and Quality of Services and Facilities** as the **Best Value** for money hotel brand.

Having identified **Differentiation** as one of the main purposes of branding, the main objective of the author's primary research was to assess to what extent selected **hard** hotel brands were perceived to differ by one segment, that of **business travellers**. It was the author's decision to access the business traveller market segment, because the frequent business traveller is of considerable importance to the hotel industry and since it is the person most exposed to information concerning hotels, could provide much data on how effectively selected brands have been presented to the 5 star market.

Observing the results of the tests of differentiation on the three product features, it could be considered that Hilton, although rated as an **Overpriced** hotel, is yet positioned in the perception of the business traveller as a **highly differentiated upper-market business oriented hotel chain**.

Of course, it can not be said that the perceptions of differentiation summarised above are held by all business travellers because only those who had a certain knowledge of the brands could answer questions of differentiation.

This knowledge began by recognizing the brand name, although prior usage of the brands was not necessary.

Suggestions for Future Research:

Several other ideas could be suggested for future research:

- a) More sensitive tests of differentiation and brand awareness between **Branded** and **Non Branded** hotel chains in order to study the way each of the two categories is perceived to be positioned in the minds of the preselected target market segment as well as in what degree the application of branding is achieved, respectively;
- b) Inclusion of other brands regarding tests of **perceived differentiation and price differences**; and
- c) A similar study of brand awareness and perceived differentiation addressed to segments other than business travellers, e.g., **leisure market** segment.

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Appendix 1. Questionnaire

SECTION A

Please, complete if possible all the questions.  
Please, after the completion of the questionnaire, return it to the reception. Thank you very much for your cooperation.

1) Nationality :-----

2) Country of residence :-----

3) Sex : Male ☐ Female ☐

4) Occupation :-----

A) Management employee ☐ B) Self employed ☐ C) Professional ☐

D) Government employee ☐ E) Other ☐ (Please specify) \_\_\_\_\_

5) How old are you? A) under 25 ☐ B) 25-34 ☐ C) 35-44 ☐

D) 45-54 ☐ E) 55-64 ☐ F) 65+ ☐

6) In the past year, how many nights have you stayed in a hotel when travelling on business ?

A) None ☐ B) 1-5 nights ☐ C) 6-10 nights ☐

D) More than 10 nights ☐

7) In the past year, how many nights have you stayed in a hotel when traveling for leisure ?

A) None ☐ B) 1-5 nights ☐ C) 6-10 nights ☐

D) More than 10 nights ☐

8) Do you normally take your family along when staying in a hotel for business purposes ?

A) Yes ☐ B) No ☐ C) Some times ☐

9) When traveling on business, who decides of the hotel that you stay ?

A) Myself ☐ B) Travel agencies ☐

C) The company i work for ☐ D) Other ☐ (Please specify) \_\_\_\_\_

3) Please, give your judgement of how Hilton International rates on the following attributes, in terms of excellence and importance, in order to stay or repeat usage of it.

1: Most Important, 2: Very Important, 3: Important, 4: Unimportant, 5: Not Used Before (Example: If you think that Hilton Int.'s "prices" are "Excellent" and the "Most Important" for you, you must tick in the second column and write number 1 in the first column. If you have never used any services described, just write number 5).

Hilton Internat.'s attributes affecting your staying in it	Rank of importance	Excellent	Very Good	Satisfactory	Poor
Price					
Location of hotel					
Leisure facilities					
Size of guest rooms					
Special conference packages					
Executive floor services					
Secretarial services					
Fax and computer facilities in room					
Rapid check in/ check out					
Food and beverage services					
Room services					
Concierge floor					
Cleanliness; well maintained rooms					
Friendly employees					
Frequent flier/stayer programmes					

4) How would you rank the Hilton International's business services in terms of importance to you, to make you stay or repeat usage of the hotel ? (Please, circle one number only)

1: Most Important, 2: Very Important, 3: Important, 4: Unimportant, 5: Not Used\_Before (If you have never used or heard any of the services described below, please circle number 5).

Description of Hilton Int.'s business services	Rank of importance
Business travellers services under the brand name "Hilton Club"	1 2 3 4 5
Service package for the Japanese business travellers under the brand name "Wa No Kutsurogi"	1 2 3 4 5
Service package for conference groups under the brand name "Meeting 2000" or "Service 2000"	1 2 3 4 5

6) Please give a brief description of what, each of the above services consist of, according to you? (Please, specify by using the space provided below)

7) Are you a member of the "Hilton Int. Business Club" ?

A) Yes ☐ B) No ☐

8) How many times have you used in the past the "Wa No Kutsurogi" Japanese services ?

A) Never ☐ B) 1-5 times ☐ C) 6-10 times ☐

D) More than 10 times ☐

9) Living in a country of the Western World, would you like to enjoy the Japanese services offered by Hilton hotels ?

A) Yes ☐ B) No ☐ C) I do not know ☐

10) Are you aware of any Japanese services offered by other hotel chains worldwide apart from Hilton hotels ?

A) Yes ☐ B) No ☐ C) I do not know ☐

10a) If yes, in which other than Hilton hotels, do you prefer enjoying these services ? (Please specify, by using the space provided below).

11) How much more, in comparison with other hotel chains, would you be willing to pay, in order to enjoy the Hilton services ? (per night)

A) Less than £5 ☐ B) £5-10 ☐ C) £10-20 ☐

D) More than £20 ☐ E) Nothing at all ☐

12) Please, give your judgement of how each hotel chain rates on the following features, (price, number of facilities and services, quality of facilities and services), by ticking in the appropriate columns.

HOTEL CHAINS	PRICE		FACILITIES SERVICES		QUALITY		
	Low	High	Few	Many	Excel- lent	Poor	Satisf actory
HILTON INTERNAT.							
MARRIOTT							
INTERCONTINENTAL							
SHERATON							
FORTE							
HYATT							
MERIDIEN							

## Appendix 2: Sample characteristics

### 1. Nationality:

NATIONALITY	Response frequency and (%)
British	6 (20)
American	11 (36.6)
Hellenic	6 (20)
Italian	2 (6.6)
German	2 (6.6)
Japanese	2 (6.6)
Swiss	1 (3.3)

### 2. Country of residence:

COUNTRY OF RESIDENCE	Response frequency and (%)
Switzerland	2 (6.6)
Japan	2 (6.6)
Italy	2 (6.6)
Hellas	5 (16.6)
U.S.A	11 (36.6)
England	7 (23.3)
Ireland	1 (3.3)



3. Sex:

SEX	Response frequency and (%)
Male	24 (80)
Female	6 (20)

4. Occupation: Various

5. Age:

AGE GROUP	Response frequency and (%)
<25	0 (0.0)
25-34	8 (26.6)
35-44	14 (46.6)
45-54	6 (20)
55-64	1 (3.3)
65+	1 (3.3)

6. Number of nights spent in a hotel in the past year:

NO. OF NIGHTS	(i) WHEN ON BUSINESS TRAVEL	(ii) WHEN ON LEISURE TRAVEL
	Response frequency and (%)	Response frequency and (%)
0	1 (3.3)	5 (16.6)
1-5	5 (16.6)	15 (50)
6-10	5 (16.6)	8 (26.6)
>10	19 (63.3)	2 (6.6)

7. Accompanied by his/her family when on business travel:

STAYING IN A HOTEL WITH HIS/HER FAMILY WHEN ON BUSINESS TRAVEL	Response frequency and (%)
YES	0 (0.0)
NO	18 (60)
SOMETIMES	12 (40)

8. Personal choice or otherwise of hotel when on business travel:

SUBJECT PERSONALLY CHOOSES HOTEL ?	Response frequency and (%)
MYSELF	9 (30)
TRAVEL AGENCIES	11 (36.6)
MY COMPANY	9 (30)
OTHER	1 (3.3)