Hotel Brand Proliferation Run Amok

By Lawrence Adams Principal, ForrestPerkins | March 31, 2019

Much has been written about brand proliferation in the hotel industry over the last several years, but the explosive increase of hotel brands in recent years has reached an astounding level. This staggering trend of exponential growth appears to have no end in sight.

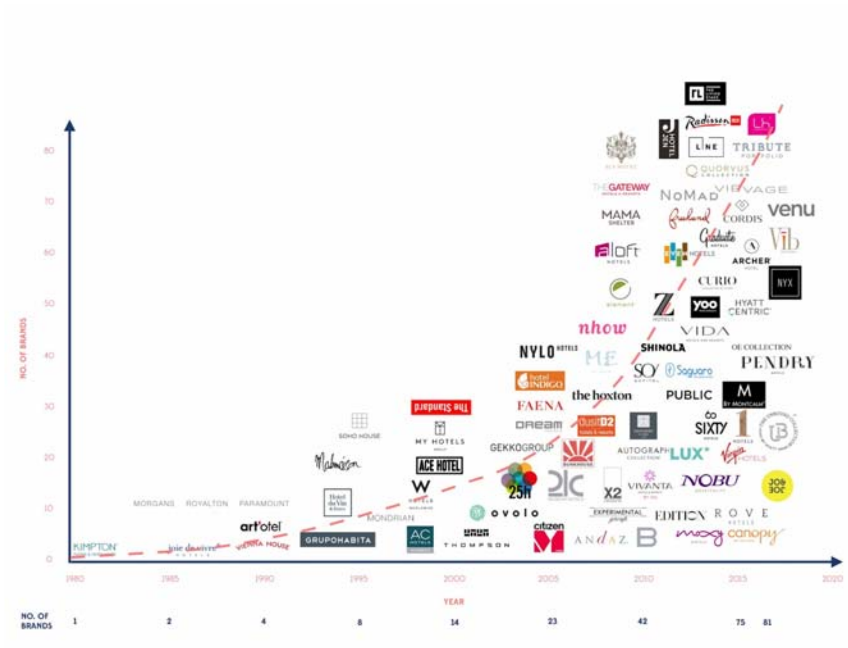
STR, formerly Smith Travel Research, recently listed 1,073 brands globally and that number is certainly lower than the actual number. Of the major hotel companies, Marriott, following its merger with Starwood, has accumulated 30 brands; Hilton has 14 brands, AccorHotels has 34 and InterContinental Hotel Group (IHG) has 14. Radisson, in an attempt to only correlate new brands to distinct segments in their market has limited their brand count to 8. New independent brands continue to pop up at a rapid rate fueled in large part by the insatiable appetite of millennials for new and unique experiences in their lodging choices.

Gone are the days when a Hilton was just a Hilton, a Marriott was a Marriott and a Hyatt was a Hyatt. In this article we will explore the advantages and disadvantages of brand proliferation and look at some of the unique new brands in some detail to understand their appeal.

Advantages and Disadvantages

While many of the major hotel companies and their investors regard brand propagation as a positive growth vehicle, there remain a number of disadvantages, not the least is brand confusion. It is expensive and risky to launch a new brand so the rewards need to be worth it. Introducing a new brand within a family of existing brands runs the risk of weakening the image of the existing brands. The consumer might be led to believe that the new brand makes the older brands less desirable, tired or even obsolete.

For this reason it is highly important that there is a clear and genuine distinction between new and existing brands within a single hotel company. The new brand cannot be seen as a replacement for an existing brand… unless it is, but then that has its own set of problems that we will discuss below.



1/2 SLIDES

According to Piers Schmidt, Founder of Luxury Branding, this chart shows the dramatic upward trajectory of lifestyle brand growth since 2007 with "little indication of a plateau being reached

For investors, diversity of brands has the financial advantage of insuring against failure. Having a large stable of brands with a diverse portfolio insures that if one or more brands become unmarketable, the others are there to pick up the slack. And there is always the unfulfilled market niche that new brands are crafted to fill.

A hotel company, such as Radisson, that keeps brand proliferation in check, limiting its brands to specific customer bases, does so to ensure brand loyalty. However companies that promote brand expansion, such as Marriott and Accor, do so because they believe that a diversity of brand choices benefits its customers and that in itself promotes brand loyalty.

With the merger of Marriott and Starwood Hotels and Resorts in 2016, Marriott by adding the 11 Starwood brands and creating a couple of new ones in the process, grew to 30 brands. The obvious problem became one of redundancy and the notion that some of these brands needed to be eliminated, or "sunsetted," so cannibalization within market segments could be avoided. Marriott was, and continues to be, faced with the problem that many of its original brands essentially compete for the same markets as the newly acquired Starwood brands.

Examples include the following: Marriott versus Sheraton; Ritz Carlton versus St. Regis; Renaissance versus Westin; Edition versus W and Autograph Collection versus The Luxury Collection. The problem is that it is very difficult to sunset a brand. Not only do you risk alienating the loyal customer base, but hotel franchise agreements are typically 30 years, so hotel owners resist.

The recent phenomena of multi-branded properties, where developers seek the benefits of locating multiple brands on a single property or in a single building, reflects the attraction of multiple brand choices compressed into a single development. In addition to the efficiencies of construction and operations, multi-branded properties promote cross-selling, where a guest staying in one brand gets to experience other brand offerings during their stay. But multi-branded properties can create brand confusion to the guests as levels of service and brand features become blurred.

New Brands in Old Companies

Before we look at the burgeoning plethora of independent hotel brands, let's first look at some of the new brands that the established hotel companies have recently introduced.

In recent years Hilton has introduced Curio, Canopy, Motto, Tru, LXR, Home2 and Tapestry Collection. In addition they have acquired and expanded two existing brands: Waldorf=Astoria and Conrad, both having storied histories with the Conrad Hilton family. The Curio Collection is an upper upscale brand that purports to draw individual spirit from the unique destinations in which each hotel resides. This we will see is a common tagline of many of the new brands on the market. Canopy is Hilton's new lifestyle brand, offering a comfortable urban neighborhood inspired experience with no on-site restaurant but with "foodie bags" from local restaurants brought to your room. Motto by Hilton is "a micro-hotel with an urban vibe in prime global locations." Very similar to Motto is Hilton's Tru brand with similar taglines, "vibrant, affordable and young-at-heart", but perhaps with the added twist: "tech savvy" to enhance the appeal to millennials.

Marriott, around the time of the merger with Starwood, in addition to the 11 acquired brands, added EDITION, Moxy, AC, Delta and Gaylord to its roster. For EDITION, Marriott partnered with Ian Schrager to create a luxury lifestyle brand with a subtle style and elegance in purposed contrast to the trendy boutique genre that Schrager himself is credited with inventing. Chic, modern and edgy are terms used to describe the new Moxy brand, Marriott's midscale market, Millennial-centric creation that offers an energetic social scene in casually vibrant, design-rich public spaces. AC, Marriott's sleek Euro-styled upscale hotel brand, caters to design-conscious business travelers who want to stay in fashionable downtown locations.

Hyatt's newest brands include Hyatt Centric, Miraval, Hyatt Ziva, Hyatt Zilara and The Unbound Collection. Hyatt also acquired Exhale, the state-of-the-art wellness and fitness spa brand as part of a company-wide initiative toward wellness in hospitality. Hyatt Centric positions itself as an upper-upscale urban resort product with an environmentally-friendly focus, thus an Eco-Urban Resort (see my previous article on Defining the Eco-Urban Resort). Hyatt acquired the Miraval eco-resort near Tuscon, Arizona and then decided to create a brand out of it. They have since expanded this eco-wellness brand to include the heralded wellness spa resort, Travaasa in the Texas Hill Country near Austin. Miraval Berkshires is under construction and due to open in 2019 in Lenox, Massachusetts.

IHG recently introduced EVEN, Avid and Hualuxe. They also recently acquired the classic-luxury brand, Regent Hotels and the luxury eco-wellness brand, Six Senses. EVEN is one of the first brands in a major hotel company to exclusively focus on wellness. EVEN offers guests natural relaxing spaces, healthy food choices and first class fitness facilities. Avid is a select service brand that provides an affordable, high-quality, "great night's sleep" in a clean room with top quality bedding, black out window treatment and sound reducing headboards.

AccorHotels leads the pack with 34 distinct hotel brands. Among the new ones are Legend, SO/, Rixos, Mantis, M Gallery, Pullman, 25h, Angsana, Art Series, Movenpick, Peppers, The Sebel, Adagio, Mantra, MAMA Shelter, Break Free, hotelF1, Joe&Joe and Thalassa.

Among the other established hotel companies expanding their brand portfolios are Wyndham with TRYP, Dazzler, Trademark Collection, Esplendor and Wyndham Grand. Best Western has added Sadie, Aiden, Vib and BW Premier. Choice added Cambria, clarion pointe, Ascend and Suburban. Caesars Entertainment introduced Horseshoe, The Cromwell, The Linq, Nobu, Roadhouse, Rio and Paris. Starwood Capital invented the Baccarat and 1 Hotel brands. Even the Trump Hotel Group has added SCION, The Estate Collection and American IDEA Hotels to its brand collection. The list goes on and on and continues to grow at a dizzying rate.

Independent Brands

There are hundreds of new independent hotel brands being developed today. To cull these down to a few that will fit in this article is a difficult undertaking, but here goes.

One relatively new kid on the block, Dream Hotel Group, shot out of nowhere and has now subdivided into a number of sub-brands: Time Hotels, The Chatwal and Unscripted. The Dream brand "Night" was sunsetted because it competed too closely with Unscripted.

One of the more interesting new independent brands is 21c Museum Hotel. Originally conceived in Louisville as an art-filled hotel, where at every turn guests are challenged intellectually by contemporary art installations. 21c is now in 8 cities including Cincinnati, Oklahoma City and Nashville and coming soon in Chicago.

Yotel is a no-frills high-tech designer brand where tiny yet cleverly-designed guestrooms provide a uniquely tailored guest experience. By providing great bars, lounges and roof decks, Yotel exploits Millennials' preference to spend more time in hotel public spaces than in their rooms. Initially located in trendy urban neighborhoods, YotelAIR is a bi-product uniquely suited for airports such as the ones at Charles de Gaulle, Heathrow, Gatwick, Schiphol and Istanbul Ataturk.

PUBLIC is Ian Schrager's latest foray into high-styled hotel luxury. Schrager's genius is on display as ultra-sophisticated hospitality with cutting-edge technology is provided in a subtle yet provocative setting.

Sir Richard Branson extended his successful travel industry by creating Virgin Hotels, a lifestyle hotel option fashioned in the spirit of Branson's hyper-techno- air travel innovations.

CitizenM hotels calls itself a hybrid hotel that serves "Mobile citizens" hence the "M" in the name. Irreverent with attitude and offering "curated chaos", the brand markets to a global populous in fast motion.

Other new independents include Hoxton, Pendry, NoMad, The Line, Proper, Equinox, Freehand, Yoo, Glo, B, Life House, The Guild, Venu, Reverb, Voco, X2, Shinola and Z Hotels. And the list keeps growing every day.

Following the proven success of AirBnB, AirBnB Plus and Niido by AirBnB, the number of home rental brand options, have also rapidly expanded. Those brand options include WHYHOTEL, HomeAway, Adagio, Oasis, Vacasa, Tribute Portfolio Homes, VRBO and OneFineStay.

Superficial Authenticity

Peirs Schmidt, founder of Luxury Branding, wrote about many of the new lifestyle brands, "Whether to emulate or obscure the propositions of one another, these brands have failed to carve out a distinct identity, an omission that becomes concrete when you step inside their properties. Here, you are surrounded by a largely derivative set of what we term 'spray-on' concepts: hotels that may appear different superficially but that are essentially the same when you scratch the surface." Schmidt also wrote, "Simply being Instagrammable does not a sustainable purpose make."

Each new brand seems to come up with taglines in attempt to describe how they distinguish themselves from other brands or how they bring a fresh new approach to hospitality. The problem is there is a sameness in the taglines that reveals that many of these distinct brands are chasing the same customers, which are for the most part Millennials. Slogans and sound bites center around a limited number of themes: "Locally inspired authentic experience," Designed for the Modern Traveler," "High energy social scene" and "Tech-saavy accommodations" are most common.

Daniel Lesser, President of LW Hospitality Advisors writes, "The hotel industry needs to stop the introduction of bewildering new brands. As a long-time lodging industry advisor, I am confused about what differentiates many brands from one another. If I don't get it, I can't imagine the traveling public does either. Instead hotel brand families should focus on bolstering and reinforcing their existing brands by making clear to their customers what they will get out of staying at one versus another. Hotel companies and brands that can truly differentiate themselves will be best suited to withstand the next downturn, which will eventually occur."

Overchoice

In 1971, Alvin Toffler described a psychological condition in his brilliant but disturbing book, *Future Shock*, called "overchoice". He wrote, "Ironically, the people of the future may suffer not from an absence of choice, but from a paralyzing surfeit of it. They may turn out to be the victims of that peculiar super-industrial dilemma: 'Overchoice.'" He continued, "[Overchoice takes place when] the advantages of diversity and individualization are canceled by the complexity of a buyer's decision-making process." Toffler postulates that as the choice becomes overchoice, "freedom of more choices becomes the opposite-the 'unfreedom'."

Following Toffler in 2004, Barry Schwartz in his book, *The Paradox of Choice: Why More is Less*, writes "the more options there are, the more likely one will make a non-optimal choice, and this prospect undermines whatever pleasure one may get from one's actual choice."

The explosion of choices for hotel brands is in part caused by the notion that the more choices the customer is given, the more freedom they have and the more freedom they have, the more satisfied they are with their choice. However, as Schwartz points out in a recent Ted Talks lecture, too many choices have two negative effects: One effect is that it paradoxically leads to choice paralysis, rather than liberation. The second effect is that even if we make a choice from a large number of options, we end up less satisfied than if we had fewer options to choose from.

By these theories about overchoice, one might conclude that, among the major hotel companies, Radisson has the right approach by limiting brand options, where each of their brands is aimed at a distinct and definable market segment, strengthening brand loyalty and embracing the notion that Less is More when it comes to satisfying its customers.

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