

The Making of an International Hotel Brand: A case study of the Langham

By Tony S.M. Tse

Introduction

The Great Eagle Group, one of the leading property companies listed on the Hong Kong Stock Exchange since 1972 (Great Eagle, 2012), owns and manages an extensive international hotel portfolio branded as Langham. Headquartered in Hong Kong, the Group develops, invests in, and manages high-quality office, retail, residential, and hotel properties. The Group recorded total assets valued at HKD42 billion (USD5.4 billion) with a core operating income of HKD2.3 billion (USD295 million) in 2012, and its hotel operations accounted for 45% of that income. In 2003, Great Eagle owned eight hotels in Auckland, Boston, Hong Kong, London, Melbourne, and Toronto, with a total of 4,700 rooms. The eight hotels were marketed under different brands, including Great Eagle, Eaton, Hilton, Le Meridien, Sheraton, and Delta. Although its portfolio of hotel brands provided a variety of choices to guests, Great Eagle had to work with different hotel management companies in different parts of the world. Maintaining consistency in service quality and operational standards among the different hotels proved to be challenging. The company could have continued as an asset owner working with different hotel management companies and paying for branding and management services, but in 2003 it made the strategic decision to develop its own hotel brand. Great Eagle took a decade to transform itself from an asset owner into a hospitality group that manages not only its own properties, but also the properties of others. By 2013, Great Eagle's wholly owned subsidiary, Langham Hotels International Ltd (also known as the Langham Hospitality Group), managed 22 hotels with over 8,000 rooms in Asia, Australasia, North America, and Europe. This case study traces the development of the Langham brand and the major decisions made in that process from 2003 to 2013, and narrates how the Langham branding helps to fulfill corporate and business goals.

The information used in this case study was collected via interviews and observations and by analyzing relevant annual reports, brand books, marketing communication materials, and documents provided to the author by the Langham Hospitality Group. The following executives in the Group were interviewed in 2012: Brett Butcher (CEO), Bob van den Oord (VP-Sales and Marketing), Sharon Cheng (VP-Human Resources), Paul Walters (VP-Brands), Sherona Shng (VP-Communications), and Ray Leung (Director of Quality and Learning).

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The Langham Decision

Great Eagle's decision to transform itself from a decentralized hotel operation with several brands into a centralized hotel operation was obviously an important one, and was made with the following considerations. The Group recognized that a decentralized operation is more focused on asset management than on hotel management. As an asset manager, the Group had fiduciary responsibility for building value at the portfolio and property levels, with business objectives that were related to ownership and capital improvement. Asset management is a capital-intensive operation subject to uncertain elements such as international relations, economic stability, and tourism trends. As it is generally accepted that the hotel business is heavily reliant on reputation and service quality, branding is crucial to ensuring continuous patronage and sustainable growth. The ownership of a brand that provides guests with affinity and esteem is therefore essential for the success of a hotel business. Great Eagle decided to build its own hotel brand for long-term development rather than relying on certain well-known hotel brands owned by other corporations. With its own hotel brand, the company could also provide management consultancy services, and a secure stream of management fees would mean a higher return on investment and higher shareholder value. After making the decision, Great Eagle had to deal with the question of what the brand should be. There were three strategic choices: (1) create a new brand, (2) acquire an existing brand, or (3) nurture its own brand. Creating a new brand had the advantage and disadvantage of beginning with a clean slate. The new brand could be anything that Great Eagle desired it to be. However, the cost of creating an international hotel brand was exorbitant. Acquiring an existing brand would require considerable financial resources and involve lengthy negotiations. After considering the pros and cons of the three options, Great Eagle made the strategic decision to nurture its own brand: Langham. Why Langham? A few questions were asked by the Great Eagle senior leaders at the time. What is the key strength of the company? How can the company utilize its strengths to build its own brand? How can it distinguish its brand from other hotel brands?

The Langham London, which Great Eagle acquired in 1991, came to mind. The Langham was thought to be appropriate for Great Eagle to nurture as its own hotel brand because the hotel was a legendary, standalone property with a history and heritage of over 140 years, a rich culture of hospitality, and a high standard of service. The Langham

London was London's largest building in 1865. The hotel was officially opened by the Prince of Wales, who later became King Edward VII. He was pleased with what he saw and said, "You have, my lord, a fine hotel. It is far superior in my mind to the St Nicholas in New York, or the United States Hotel in Saratoga. It seems to have everything man, woman or child – and even, as you tell, dog and cat – could desire, all under one roof" (Langham Hotels International Ltd., 2005).

After Great Eagle made the strategic decision to develop Langham as its own hotel brand, the Great Eagle Hotel in Hong Kong was the first property to be rebranded as "The Langham" in October 2003. In 2004, the property in London, which had previously been operating as a Hilton Hotel, was rebranded as "The Langham, London," dropping the "Hilton" from its name after the management contract expired. Further re-branding followed in Boston in 2004 and in Melbourne and Auckland in 2005.

Brand Building

According to Aaker and Joachimsthaler (2000), brand building requires consistent reinforcement over many years. Branding not only creates assets, but is also necessary for the success and often the survival of an enterprise. If hotels are branded and marketed properly, the brand adds value by delivering higher returns on investment, higher room rates, higher occupancy rates, and cost savings (Bowie, 2009). Moreover, hotels invest in building strong brands because they have the advantages of creating greater customer loyalty, wider margins, and brand extension (Kotler, Bowen, and Makens, 2010).

To pursue its competitive advantages, Great Eagle decided to position the Langham brand at the top end of the luxury market to create high brand value. To support this positioning, Great Eagle maintained that the Langham brand required the highest service standards, comprehensive sales and marketing systems, advanced technologies, robust standard operating procedures, and versatile marketing strategies for long-term development.

The Langham brand-building process began with a quality-driven and customer-oriented management philosophy. The organization realized that the process required a culture and structure that supported organic business growth and nurtured the spirit of entrepreneurship, innovation, and adventure. The following discussion considers how the Langham management philosophy, corporate culture, corporate structure, brand architecture, hotel portfolio, brand identity, and communication con-

tributed to the brand building.

The Management Philosophy—Quality League

The Langham Hospitality Group is a quality-driven and customer-oriented organization. It believes in increasing its value by building brands and delivering quality service over time in its various hotel properties. In its pursuit of quality excellence, the group adopts Total Quality Management (TQM) as its management philosophy to help achieve its vision and mission. The Group considers that TQM provides the science and technology to achieve leadership in hospitality, look after guests and the workforce, and embrace innovation. TQM is about involving people and engaging colleagues to share the same goal in the journey toward quality. To effectively reflect this team-oriented idea, the Langham Hospitality Group refers to this management technology as the Quality League (Q League). The word "league" refers to a group of people who come together for a common purpose. The Q League comprises colleagues from different functions, levels, backgrounds, and countries who share a common vision (Sustainability Report, 2011).

The Q League model is designed with three layers. The first layer, Vision, Mission, and Values, helps to ensure that everyone in the organization moves in the same direction. The second layer, Strategic Teams and Langham Logic Teams, helps to ensure that everyone is constantly improving. Strategic teams are formed by senior leaders to address four management areas: (i) leadership, (ii) guests, (iii) colleagues, and (iv) innovation. Langham Logic Teams are formed by frontline colleagues to improve operational processes using systematic problem-solving approaches. The third layer, Key Performance Indicators, helps to ensure that everyone is aware of their targets, results, and achievements. The Q League Model is depicted in Figure 1.

The CEO of the Langham Hospitality Group, Brett Butcher, believes that quality is not only achieved by putting on a smile and

Figure 1

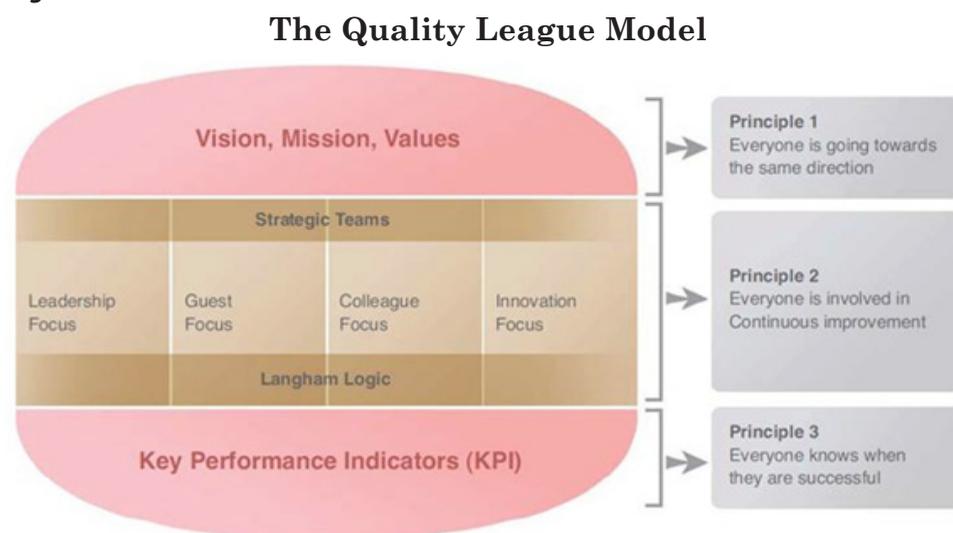


Figure 2

Organization Chart of the Sales and Marketing Function



providing quality products, but also by engaging colleagues at all levels to move toward the same goal or in the same direction. The Strategic Teams strive for the improvement of management systems and organizational strategies, while the Langham Logic Teams strive for the improvement of daily operational processes. The Langham Logic is used to engage frontline colleagues by providing a platform for process improvement. The Langham Logic is comprised of the DMAIC concept, which is an easy to apply improvement tool for daily operations. DMAIC stands for the following five action points: D = Define the problem; M = Measure the current situation; A = Analyze the root cause; I = Improve the process; C = Control the result.

The Langham management philosophy is built upon the following four strategic focuses: (1) to articulate the vision in such a way that employees will know where they are heading, (2) to continuously enhance the portfolio of brands, (3) to promote and nurture a culture of innovation, and (4) to implement TQM. The Langham brand and its affiliated brands have been nurtured under the influence of this management philosophy and corporate culture.

Corporate Culture

The Langham Group was looking for a corporate culture and structure that would support organic business growth and nurture the spirit of entrepreneurship, innovation, and adventure. The Group realized that corporate culture does not materialize overnight, and that brand equity does not transpire simply by installing a logo at the hotel entrance. In building the Langham brand, the challenge was to create equity in a brand that had been established for more than 140 years and make it globally relevant for hotel guests in the twenty-first century. Langham derived its vision directly from its guests and crafted it

in such a way that it resonated among its employees: *Know Our Guests. Build Great Memories.* Langham strived to become the definition of hospitality by knowing its guests better than other hotels and by giving them great hotel memories.

As part of the corporate culture, all Langham employees are made aware of the organizational core values. These values guide employees in the way they think and behave and how they judge what is right and wrong. The eight brand values are: *Surprise Our Guests; Be Curious; Connect from the Heart; Better Every Day; Forever Young; Celebrate Success; Communicate, Communicate, Communicate;* and *One Team, One Dream.*

In addition to the overall corporate vision, each hotel property has its own mission that relates to its uniqueness. The mission statement of each hotel is crafted in such a way that it reflects its distinctive characteristics, operational concepts, and personality. Having different mission statements for different hotel properties can be considered a differentiation strategy that helps to create awareness and encourages customers to try the different hotels (Shoemaker, Lewis & Yesawich, 2007).

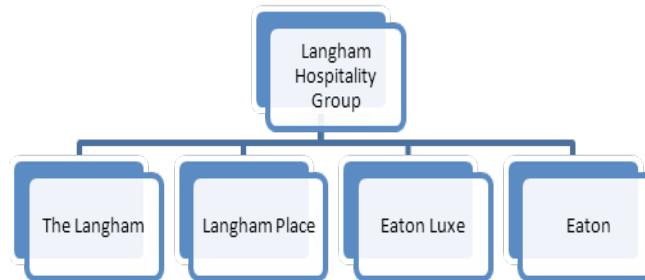
Corporate Structure

Great Eagle's hotel operation has evolved from decentralized to centralized. This necessitates a corporate structure that could develop and support the group's hotel business around the world. Thus, Great Eagle has created the Langham Hospitality Group (LHG), based in Hong Kong, to look after all of its hotels around the world. The Group's functions include Finance and Legal, Human Resources and Quality, Development, Brands, Operations, Information Technology, Technical Services and Design, Spa, and Sales and Marketing. The Sales and Marketing function is represented in Figure 2.

The function of the LHG corporate office is to provide direction

Figure 3

Langham Hospitality Group's Brand Architecture



for all of its hotel properties, to provide marketing support, and to add value. One way of adding value to the hotels is by creating a strong brand and strengthening customer relationships with the brand. Brands do not exist in a vacuum. They have to be cultivated, polished, and communicated based on research, business acumen, and dedication. The LHG has taken three years to refine its corporate structure, and with this structure, the Group started to develop its brand architecture. A brand refers to how customers think and feel about the services of a particular hotel, and brand architecture refers to the way in which a firm organizes, manages, and approaches the market with its brands. Often, the brand architecture is the exterior of a business strategy, and must align with and support business goals and objectives (Petromilli et al., 2002).

Brand Architecture

The brand architecture is the organizing structure of the brand portfolio that specifies the brand roles and the relationships among brands and different product-market contexts (Aaker and Joachimsthaler, 2000). In the process of moving from decentralization to centralization, the LHG changed its brand architecture from a “house of brands” to a “branded house.” The “house of brands” architecture comprised a group of standalone brands such as Great Eagle, Hilton, Langham, Meridien, and Sheraton, whereas the “branded house” architecture comprises a single master or umbrella brand with sub-brands endorsed by the parent brand (Branding Strategy, 2012). The Langham “branded house” architecture is summarized in Figure 3.

The LHG first developed the Langham brand to make an enduring and meaningful impression upon its guests, potential guests, partners, employees, and stakeholders (The Langham Corporate Identity Manual, 2007). The brand has been developed to embrace the establishment of Europe’s first grand hotel, the Langham London. The hotel was at the forefront of creating new hospitality experiences back in the nineteenth century and it remains so today. The Langham hotels are designed to exude a graceful and timeless elegance, blending a sense of the past with contemporary elements. Guests will be enchanted and will feel completely at ease when they visit a Langham hotel. They will find the hotel a tranquil haven that is free from the

pressures of the outside world. The Langham employees are groomed to indulge their guests with the natural and engaging fineness that bears the trademark of the brand’s heritage: always anticipating the guests’ needs, but never overbearing them. The Group tried to capture the Langham brand heritage that had been crafted and refined over 140 years. As defined by Urde et al. (2007), brand heritage refers to the dimension of a brand’s identity founded in its track record, longevity, core values, use of symbols, and regard for history.

Shortly after the Langham brand was established, another brand, Langham Place, was developed and positioned slightly differently as a dynamic hotel that provides guests with a refreshing, inspiring, and pleasing hotel experience. It is a destination for the creative and sophisticated. Langham Place offers an environment that is contemporary in an understated residential style with luxurious features. In addition to offering unique food and beverage, retail opportunities, and spa services, Langham Place also engages the local arts community by sponsoring events and displaying artists’ work in and around the hotel. Some people even say that Langham Place is an art gallery masquerading as a hotel.

Eaton is a hotel brand inherited by the LHG. It stands apart from the Langham and Langham Place brands in the sense that it appeals to guests who believe in what they know and are less concerned about an institution’s popularity. Eaton Hotels offer the comfort and service that guests seek without stretching their budget. Eaton is further differentiated into Eaton (Midscale) and Eaton Luxe (Upscale), based on the level of amenities and service.

Hotel Portfolio

Building a brand architecture is a dynamic process. During the process of building the Langham brand, new properties were acquired and branded or re-branded, and new management agreements were signed. In some cases, properties were acquired as assets by the LHG and were rebranded, whereas in other cases, agreements were signed by the Group to manage the hotels only. The following developments illustrate how the properties were branded or re-branded based on the brand architecture.

Portfolio of Properties Owned and Managed by the Langham Hospitality Group

Property Owned and Managed	Owned/ Acquired Since	Branded/Rebranded As	Branded/ Rebranded In
Eaton Hotel, Hong Kong	1990	Eaton, Hong Kong	2010
Great Eagle Hotel	1994	The Langham, Hong Kong	2003
Delta Chelsea Hotel, Toronto	1996	Eaton Chelsea, Toronto	2013
Langham Hilton	1996	The Langham, London	2004
Le Meridien, Boston	1997	The Langham, Boston	2004
Sheraton Towers Southgate, Melbourne	1997	The Langham, Melbourne	2005
Sheraton Auckland Hotel & Towers	1997	The Langham, Auckland	2005
Langham Place, Hong Kong	2004	Langham Place, Hong Kong	2004
The Ritz-Carlton Huntington Hotel & Spa	2007	The Langham, Huntington, Pasadena, Los Angeles	2008
The Langham, Xintiandi, Shanghai	2010	The Langham, Xintiandi, Shanghai	2011
The Langham, Chicago	2011	The Langham, Chicago	2013
The Observatory Hotel, Sydney	2012	The Langham, Sydney	2012
The Setai Fifth Avenue Hotel, New York	2012	Langham Place, Fifth Avenue	2013

In announcing the development of The Langham, Chicago in 2012, Brett Butcher remarked that “this much-loved and historic Chicago landmark is a perfect match for The Langham as we respectfully weave our heritage into the fabric of one of the world’s great cities. The Langham, Chicago will honor the iconic status of the masterpiece by Mies van der Rohe, capturing its original spirit of innovation, heralding a new era in luxury hospitality in the city” (The Langham, Chicago, 2012). The LHG proposed to acquire the Setai Fifth Avenue Hotel located at 400 Fifth Avenue in midtown Manhattan, New York, in 2013. The hotel is to be rebranded as Langham Place, Fifth Avenue, and will provide luxury living in the twenty-first century, with contemporary accommodation, stylish design, and interesting art displays. This strategic purchase signals the Group’s plans for long-term expansion

in key gateway cities in the United States (HotelExecutive.com, 2012). In China, the LHG has seven hotels branded as The Langham, Langham Place, or Easton Luxe due to open between 2013 and 2015.

Brand Identity and Communication

The LHG launched the Langham brand onto the global stage in 2003, and by 2005 it had properties in London, Hong Kong, Boston, Melbourne, and Auckland. At this early stage of the branding process, the advertising focused on the Langham heritage, telling stories about its 140-year history in London and about its new modern facilities. The brand was advertised on television and in print, especially in inflight magazines in the United States, Europe, and Asia Pacific. The launch advertising was organized in Hong Kong by Ogilvy & Mather, a leading international advertising agency. Figure 4 shows the launch advertise-

Portfolio of Properties Managed by Langham Hospitality Group

Properties Under Management Contract	Opened/To Be Opened In
Langham Place, Beijing Capital Airport	2010
Eaton Luxe, Nanqiao, Shanghai	2010
Eaton Smart, New Delhi Airport Transit Hotel	2011
88 Xintiandi, Shanghai	2011
Eaton Luxe, Xinqiao, Shanghai	2012
The Langham, Shenzhen	2013
Langham Place, Guangzhou	2013
Langham Place, Ningbo Culture Plaza, Ningbo	2013
Langham Place, Xiamen	2013
Eaton Luxe, Rio Carnival, Qingdao	2014
Langham Place, Rio Carnival, Qingdao	2015
Langham Place, Datong	2015

Figure 4
Launch Advertisement for The Langham, Hong Kong



Figure 5
Advertisements for The Langham, London



ment for The Langham, Hong Kong.

The LHG continued to grow, with more properties and brand extensions in the following years. Possessing a multiple-brand portfolio presented obvious advantages for the Group. First, it was an organic and natural way to grow business in a particular location where the demand warranted more than one property. Second, customers had more choice, and loyalty within the Group could be enhanced. Third, the risk was reduced by investing in a range of properties, as business can be affected by swings in the economy and consumer preferences. Another agency, Chandelier Creative, was engaged in 2007 to design the brand identity and advertising. Chandelier Creative was a small, young creative agency based in New York that specialized in fashion, beauty, retail, travel, and luxury lifestyle. Figure 5 shows the brand advertising using The Langham, London as the showpiece. The Langham brand identity was bold and unusual. A special pink color was created to speak for Langham's uniqueness. This color subsequently became the distinctive element appearing in all Langham communication materials, including advertisements, brochures, websites, name cards, menus, bags, and wrapping paper. Figure 6 shows a sample of the collateral materials.

In 2010, the LHG named the world-renowned pianist, Lang Lang, as its global ambassador. Apart from the phonetic tie-in between the Langham and Lang Lang, the pianist was considered to exude the same flair and artistry as the hotel brand. In addition, the Group had its eyes set on mainland China after establishing a foothold in Australia, Europe, and the United States, and held that Lang Lang's origin and reputation would help to enhance the brand image in this country. Another international advertising agency, TBWA, was contracted to develop the brand advertising using Lang Lang as the spokesperson (Figure 6). Lang Lang also made appearances at private corporate

Figure 6
Langham Collateral Materials



Figure 7
The Langham Advertisement Featuring Lang Lang



events and met with the press on behalf of Langham. The LHG launched a scholarship program under the name of Lang Lang to be awarded to students who are outstanding in music.

Financial Performance and Conclusion

Since 2003, the LHG's strategic focus has been on brand building and gaining wider global recognition for the brand's luxury position. Its branding activities since 2003 can be judged, at least partially, by the Group's financial performance. In 2006, the Group's revenue increased by 17% from 2005, amounting to HKD2,600 million (Great Eagle, 2006). The hotel business was supported by an upbeat lodging market, and the effect of the re-branding began to show some effect. The hotel business continued to improve in 2007, delivering total revenue of HKD2,900 million, an increase of 13% from 2006 (Great Eagle, 2007). The hotels in Hong Kong benefitted from good economic and market conditions, along with a large number of trade fairs and visitor arrivals, and the overseas properties also improved their overall performance. The total revenue of the hotel business further increased by 5% year-on-year to HKD3,063 million in 2008. However, the earnings before interest, taxes, depreciation, and amortization (EBITDA) dropped by 26% year-on-year to HKD657 million, mainly due to the rebranding costs associated with the Langham Pasadena and the generally lower operating margins in other hotels (Great Eagle, 2008).

The recession in 2008 and 2009 put both room rates and occupancy under significant pressure. The hotels in the United States were the worst affected by the financial crisis. The total revenue amounted to HKD2,570 million in 2009, representing a year-on-year decline of 16% (Great Eagle, 2009). The leisure and travel business recovered well in 2010. While there was strong growth in Hong Kong in 2010, performance outside of Hong Kong was uneven. Although the performance of The Langham, London turned around solidly after the completion of a major renovation in 2010, the hotels in the United States generally lagged behind in terms of recovery. Total revenue increased by 27.2% year-on-year to HKD3,269 million, and the EBITDA rose 53.8% year-on-year to HKD660 million in 2010. The biggest contributor was the Group's operations in Hong Kong, which generated HKD413 million. The EBITDA outside of Hong Kong increased by 207.3% to HKD236 million in 2010 due to the renewed profit contribution from The Langham, London (Great Eagle, 2010).

The total revenue in 2011 increased to HKD3,862 million, representing a growth of 18.1% from 2010. The biggest contributors to the revenue were the three hotels in Hong Kong, the Langham, Langham Place, and Eaton, which generated a total of HKD1,482 million. This was largely due to the rising number of tourist arrivals from mainland China and Southeast Asia. The Hong Kong hotels accounted for 38.4% of the revenue and 55.5% of the EBITDA in 2011. The Langham, London benefitted from a full year of operation after its major renovation,

and its revenue increased by 24.2% in 2011 to HKD519 million. The US market continued to underperform compared with the other markets (Great Eagle, 2011). Hotel revenue grew to HKD4,095 million in 2012, which was a year of ongoing uncertainty in the global economy. The three properties in Hong Kong continued to benefit from an increase in the number of tourist arrivals from mainland China and other countries in the Asia-Pacific region, and accounted for 39.6% the revenue and 61.5% of the EBITDA (Great Eagle, 2012).

With a quality-driven and customer-oriented management philosophy, the LHG has transformed into a hotel management group with a strong business base in Hong Kong, a hotel portfolio with properties in Australasia, North America, and Europe, and more recently in a number of cities in China. The financial performance of the Group over the years has been encouraging and it is well poised to benefit from the positive outlook of the tourism market in the Asia Pacific.

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